

Edition 3, Volume 1 2013

HOSPITALITYREPORT

REPORTING ON NEW ZEALAND'S HOSPITALITY INDUSTRY

produced by the
Restaurant Association of New Zealand &
AUT University

Photo: Saggio di Vino, Christchurch
PHOTO: RAGU, AUCKLAND



**RESTAURANT
ASSOCIATION
OF NEW ZEALAND**
Representing, Educating and Promoting
the Restaurant & Hospitality Industry

AUT UNIVERSITY **HOSPITALITY
+ TOURISM**

INSIDE: BY SECTION

INSIDE: BY SECTION



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Top-Line Data

A snapshot of key industry statistics for quick review. These top five facts and figures include industry sales growth, employment and outlet growth, industry sales revenue and a regional overview.

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Marketplace Impacts

New Zealand's economy continues to face difficulties in 2013. In this section we consider the effect of global financial crisis, Christchurch earthquakes and tourism on the economy, migration and employment. We also outline some of the key legislative impacts for the industry in 2013.

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Challenges & Responses

In the current environment there are many challenges facing hospitality operators. This section identifies the top challenges and the industry's responses.

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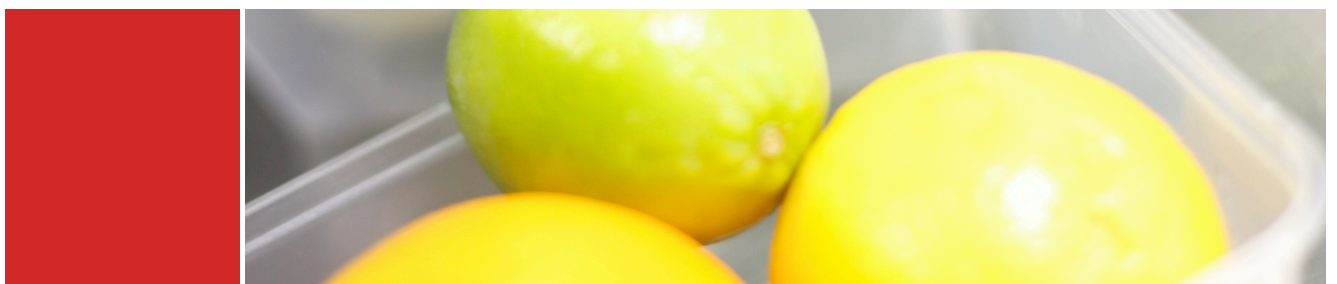


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COLLABORATORS WELCOME

COLLABORATORS WELCOME

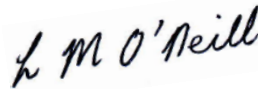
Head of AUT School of Hospitality & Tourism

AUT University is proud to support the AUT/ Restaurant Association Hospitality Report for 2013. This is our third edition and with each publication this report continues to reflect the dynamic nature of New Zealand's most exciting industry; hospitality.

AUT is keen to promote research that is user-friendly, easy to understand and applicable to its audience. In this edition you will find a multitude of facts, figures and advice that are designed to enhance your business and proactively promote the hospitality industry.

These past few years have been testing for competitive businesses like hospitality, and

this report not only reflects this but also adds a new dimension; economic forecasting from Professor Gail Pacheco. These forecasts will provide you a future view, one designed to help your strategic business planning. Enjoy the 3rd edition of this report. I wish you well for the year ahead.



Linda O'Neill
Head of School, School of
Hospitality and Tourism,
Faculty of Culture and Society,
AUT University



Chief Executive Restaurant Association of New Zealand

The hospitality industry is competitive and constantly evolving. To stay ahead of the game you need the tools to assist you to be a trailblazer in the industry. This is why the Restaurant Association conducts industry research throughout the year which is combined, with collaborative input, into this annual hospitality report. It is our aim to provide you with the data and information that will help your business improve its performance and productivity.

This is our 3rd annual industry report and it contains key information on the industry; sales growth, outlet performance, employee productivity, remuneration, consumer insights and regional analysis are all examined. Most importantly, the report also includes tips throughout on how you can respond to the challenges and opportunities of the current economic climate.

Take some time to go through this report. Use it as your bible over the coming months as you analyse how the information can be best utilised in your business.

And remember that the Restaurant Association is here to assist in your vision for success. Contact us at any time for feedback or advice.

We look forward to developing the annual report in coming years and bringing you further insights into this dynamic industry.



Marisa Bidois
Chief Executive
Restaurant Association of New
Zealand



**RESTAURANT
ASSOCIATION
OF NEW ZEALAND**
*Representing, Educating and Promoting
the Restaurant & Hospitality Industry*

OUR MISSION

We motivate and inspire members to succeed, by providing them with the tools and resources that will help them build customer loyalty, rewarding careers and financial prosperity. Now and in the future.

INTRODUCTORY REMARKS

Purposes and
uses of this
report



This report provides an overview of New Zealand's restaurant sector enabling its stakeholders to explore statistics, opinion and trend. The statistics that were gathered reflect input from the Restaurant Association of New Zealand, various statistical bodies (Statistics New Zealand, GrabOne & American Express) and collaboration and discussion provided by the Restaurant Association of New Zealand and the Auckland University of Technology School of Hospitality and Tourism.

Survey and statistical data are complemented by input from industry leaders including Steve Logan and Michael Van de Elzen. We suggest that you peruse the table of contents, choose the items of special interest to you, and then 'read around' the report so that you can compile for yourself a composite picture of our exciting industry. Our report contains areas of concern identified by operators and provides prompts that could improve productivity/profitability not only within the sector, but also your business. Menu pricing, staffing levels, remuneration trends and career prospect data have all been identified as areas that need operator attention. Valuable regional data also provides guidance and information on possible areas of opportunity within these key areas.

The information in this report is presented to you in good-faith. At the time of research/write-up and publishing the information contained within the report was accurate, and is presented as such. Any omission or error is accidental, and the authors caution readers that any statistical information is, by its nature open to wider interpretation. The authors also caution that the opinion pieces reflect their author's opinions, not those of either the Restaurant Association or AUT University.

The compilation and research team welcome you to the second edition of the annual Restaurant Association/AUT University restaurant industry report, we trust you will enjoy and benefit from the information it includes.

This report was prepared by

Lindsay Neill, Senior Lecturer, AUT University School of Hospitality and Tourism

David Williamson, Senior Lecturer, AUT University School of Hospitality and Tourism

Nicola Waldren, Restaurant Association of New Zealand



NOTES ON READING THIS DOCUMENT

Graphs and Tables

The graphs and tables provided in this report offer an opportunity to compare, contrast and discuss the different data sets presented throughout the document. Readers are encouraged to increase their own understanding by making their own analysis, comparisons and conclusions based on the report data.

Real Vs. Nominal Data

Nominal values relate to actual value recorded during the time period in which the data was collected. **Real** figures show how this value relates to the base year of a data set, for example how much \$100 worth of sales in the year 2011 translates in the year 2007. This allows for accurate comparison over both dollar value and time. Some graphs display both nominal and real values - in these instances the nominal values are the figures displayed at the top, with real values displayed below the blue trend line.

Dates for Statistics

Please be aware of the following when reading statistical information:

- Statistics New Zealand sales data are for years ended March.
- Statistics New Zealand annual employment and outlet data are for years ended February.
- Information presented is the most up-to-date available at the time of press.
- Longitudinal analysis has been compiled and been presented to display the largest amount of data available for *all* data sets. Consequently this may result in different growth rates for similar statistics when base years differ.

Quotations

The report includes quotes from Restaurant Association members. The quotes are used to reflect the theme under discussion as well as a body of opinion within the Restaurant Association membership.

“This is a sample of what these quotes will look like.”

Restaurant Association member comment

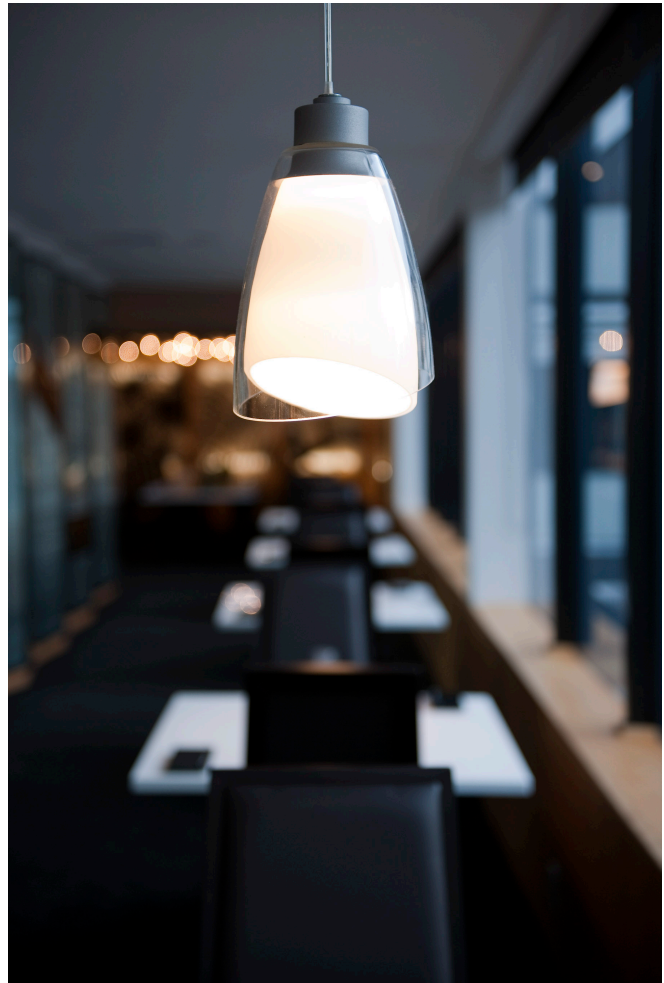


PHOTO: THE GEORGE HOTEL, CHRISTCHURCH



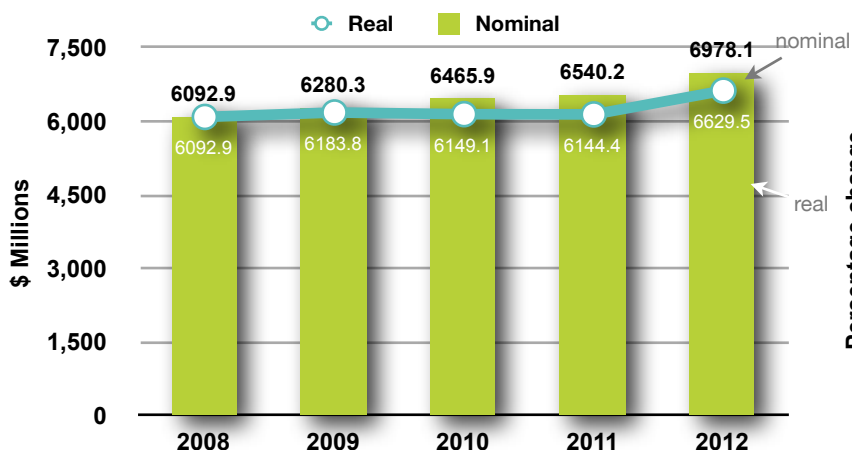
TOP-LINE DATA

TOPLINE DATA

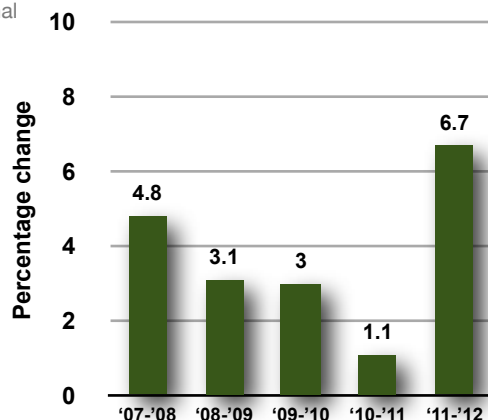


Top 5...
Key Industry
Statistics At
A Glance

1 TOTAL INDUSTRY SALES: NATIONAL



SALES GROWTH: NATIONAL



SOURCE: Statistics New Zealand

2 TOTAL INDUSTRY SALES: REGIONAL

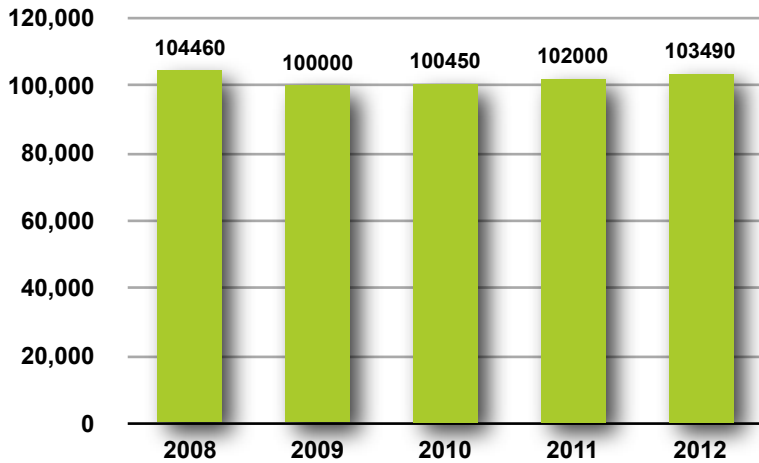
REGION	2008 (\$ million)	2009 (\$ million)	2010 (\$ million)	2011 (\$ million)	2012 (\$ million)
Auckland Region	1,975.3	2,078.0	2,186.0	2,310.9	2,585.6
Waikato Region	471.2	461.3	493.1	447.2	474.9
Bay of Plenty Region	273.1	255.8	303.4	298.4	344.3
Manawatu-Wanganui Region	328.7	360.3	377.3	384.5	371.8
Wellington Region	936.9	945.0	860.4	840.7	876.4
Rest of the North Island Region	454.8	498.7	541.0	497.1	560.0
Canterbury Region	807.9	887.8	906.7	917.4	877.3
Otago Region	349.3	363.7	374.9	422.9	405.9
Rest of the South Island Region	495.7	429.7	423.1	421.1	481.8
Total New Zealand	6,092.9	6,280.3	6,465.9	6,540.2	6,978.1

TOP-LINE DATA

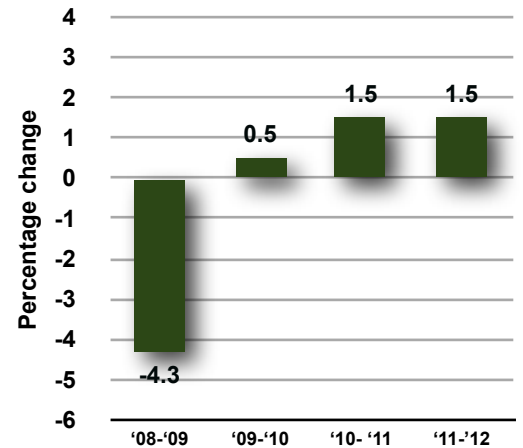
National Figures Breakdown By Year

TOP-LINE DATA

3 TOTAL NUMBER OF EMPLOYEES: NATIONAL

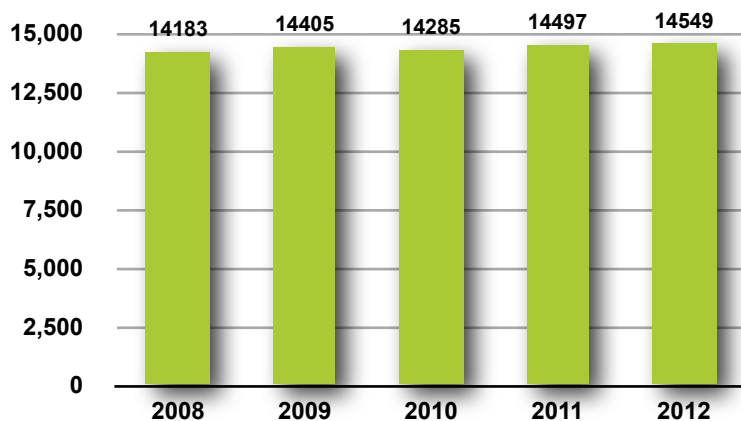


EMPLOYMENT GROWTH: NATIONAL

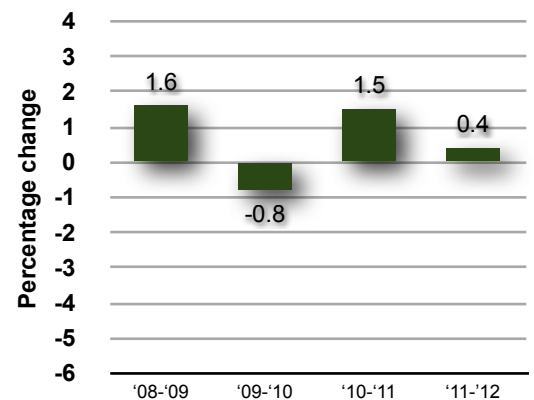


SOURCE: Statistics New Zealand

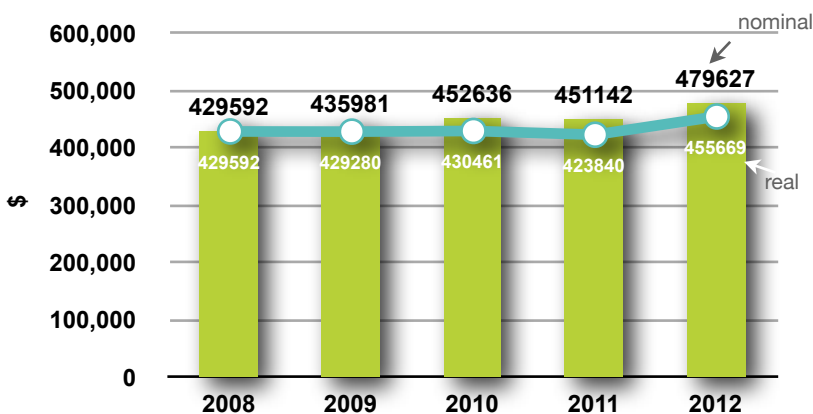
4 TOTAL NUMBER OF OUTLETS: NATIONAL



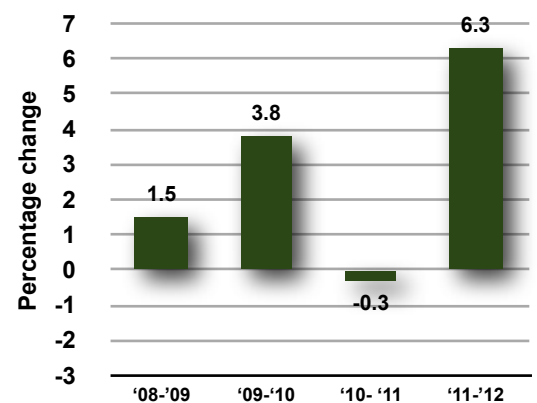
OUTLET GROWTH: NATIONAL



5 SALES REVENUE PER OUTLET: NATIONAL



REVENUE GROWTH: NATIONAL





MARKETPLACE **IMPACTS**

ECONOMIC FORECAST



PHOTO: SALE ST. AUCKLAND

Associate Professor Gail Pacheco from the Department of Economics, AUT University tells us that despite the global financial crisis, there is light at the end of the economic tunnel.

With the world still mired in the wake of the global financial crisis, the external environment is not the most welcoming, with global economic activity expected to remain subdued. In particular, both the European sovereign debt crisis and the United States' on-going fiscal and debt problems pose risks to the global recovery (Reserve Bank of New Zealand, 2012).

Despite this, the global outlook does appear less threatening than it has been in the recent past, and there have been some encouraging signs on a local level:

- Economic activity increased by 0.2% in the September 2012 quarter, following the 0.3% increase in the prior quarter, resulting in a 2.5% rise for the year ending September 2012 (Statistics NZ).
- Economic growth is expected to average at around 2.5% over each of the next five years, and potentially reach 3% in the year ending March 2014 (Treasury, 2012).
- A further positive sign is that business confidence has shown a reasonably strong improvement over the final quarter of 2012.
- On the downside, this additional confidence has yet to translate into strong hiring or investment intentions (ASB, 2013). Nonetheless, employment levels are forecast to rise over the next couple of years.
- Employment is expected to grow by 1.8% and 2.1% in the March 2013 and 2014 years respectively with strong growth expected in the primary processing and construction and utilities industries (Ministry of Business, Innovation and Employment, 2012).
- The Canterbury rebuild remains a significant driving force in the forecasted pick-up in the economy, contributing an estimated 0.7% per annum to growth over the next few years (Treasury, 2012). Around \$5 billion of the estimated \$30 billion cost of reconstruction is expected to occur within the next two years, with the remainder following later in the decade (Reserve Bank of New Zealand, 2012).

Unsurprisingly, construction sector activity in particular is expected to continue an upward trend in addition to the 4.5% rise experienced in the September 2012 quarter.

- Recent trends from the retail sector show that although retail sales over the September 2012 quarter fell by 0.4% (most likely due to declines in supermarket and accommodation sales), it remained 2.6% higher than a year prior. Moderate household consumption growth is also expected to continue over the next few years (ASB, 2012).
- Skill shortages and increased pressure to participate in online discount programs, further reducing profit margins, are two trends likely to hinder the hospitality sector from capitalising on the projected growth in consumption.

...ECONOMIC FORECAST

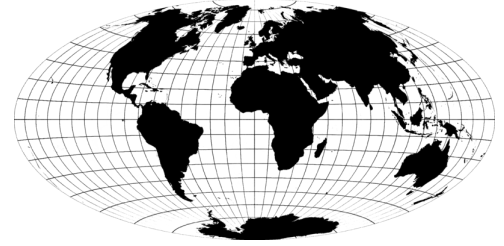
According to a June 2012 survey by the Restaurant Association, restaurant owners are feeling increasingly obliged to participate on sites such as GrabOne in order to avoid missing out on a growing number of diners choosing where to eat in-line via these deals. Additionally, nationwide skill shortages for key hospitality staff have reached alarming levels according to a survey conducted by the Restaurant Association in September 2012. The shortage of skilled candidates, particularly with regard to management roles, has worsened over the past 2 years, with 90% of survey respondents who have advertised a position finding it unacceptably difficult to fill it (up from 83% in 2010).

- Finally, while tourism expenditure was \$23.4bn in the year ended March 2012, an increase of 2.4% from the previous year, the next couple of years are likely to be challenging. This can be attributed to the ongoing weak income growth from traditional tourist source markets and the loss of the tourism infrastructure in Christchurch. Despite increasing visitor numbers, there appears to have been a shift in the nature of visitors towards shorter visits and less daily spending. Once the worst of the global financial crises passes, tourism spending is expected to pick up, with demand from the more robust Australian and Asian markets replacing that lost from their weakened Western counterparts, and it is expected to grow by 9% and thus return to the pre-downturn level by the end of 2018 (Ministry of Business, Innovation & Employment, 2012).



INTERNATIONAL TRENDS

New Zealand's hospitality industry is influenced by global trends and the National Restaurant Association (NRA) of the United States of America provides an insight into the latest American restaurant trends.



According to the NRA, 90% of restaurant operators are planning to add new menu items to this year's product offering in order to satisfy their consumer's changing demands. In its annual What's Hot Survey, the NRA interviewed more than 1800 chefs in America and asked them to identify what they believed to be the top restaurant menu trends for 2013. The hottest trends have three clear themes:

- Locally sourced food
- Sustainable/environmentally friendly food
- Healthy food

Of the top ten trends, nine fit into one of these trend themes. These trends along with their ranking in the top ten are shown in the following table:

Locally sourced food
1 Locally sourced meats and seafood # 2 Locally grown produce # 7 Hyper-local sourcing (such as restaurant gardens)
Sustainable/environmentally friendly food
4 Environmental sustainability # 9 Sustainable seafood
Healthy food
3 Healthful kids meals # 5 Children's nutrition as a culinary theme # 8 Gluten-free cuisine # 10 Whole grain items in kids meals

Locally sourced food

There is no formal definition of 'local food', however the United States department of Agriculture suggests that local food can be identified when it meets one of the following criteria:

- Food, which is produced within a certain radius from the restaurant; usually 100 miles.
- Food, which passes through a short supply chain such as restaurants sourcing directly from farmers.

The local food movement has been growing over the last decade as exemplified by new terms emerging within vernacular language such as Locavore for example, which is someone who exclusively eats food produced or raised within a 100-mile radius of where he/she lives. In the NRA's 2012 National Household Survey, 71% of the adults surveyed indicated that they would be more likely to dine at restaurants that offer locally sourced menu items. Furthermore, the NRA noted the following advantages for businesses that source local products:

- Restaurant operators can build relationships with local producers and the community as a whole.
- Local sourcing will likely encourage repeat business from members of the local community, creating a constant and loyal customer base and keeping money in your community.
- Local sourcing helps in creating jobs in your community and building the local economy.

Sustainable/Environmentally Friendly Food

Again, there is no formal definition of 'sustainable food', but the American Public Health Association suggests that sustainable food can be identified when it meets the following criteria:

- Food produced or raised in a way that meets the food needs currently without compromising the ability of future generations to meet their own needs.
- Production methods, which do not harm the environment and where appropriate use natural biological cycles and controls while sustaining the economic viability of the farm's operations.

The demand for sustainable/environmentally friendly food has been a trend of increasing importance over the last decade. According to the NRA, the demand for healthy food will continue to grow in relevance in the years to come due to the increasing awareness of sustainable resource use and protection of the environment. Reflecting this, in the NRA's 2012 National Household Survey, 58% of the adults surveyed indicated that they would be more likely to dine at restaurants that offered sustainable and/or environmentally friendly menu items than they would have been two years previously.

...INTERNATIONAL TRENDS

Healthy Food

Consistent with the other trends, there is no formal definition of 'healthy food', but The Dictionary of Modern Medicine suggests that healthy food needs to meet the following criteria:

- Food that is 'good for you' such as food that is high in, natural vitamins, fructose or fibre and low in fat, salt and/or sugar
- Food that reduces cholesterol, atherosclerosis and the risk of infections, cancer or a stroke

Health awareness is growing among restaurant customers and in the NRA's 2012 National Household Survey, 71% of the adults surveyed indicated that they are much more actively seeking healthy menu options than they did two years ago. Specifically, adults are seeking healthy menu options for their children. This is clearly reflected in the results from the National Restaurant Association's "What's Hot in 2013" survey noted above.

Three birds with one stone

Meeting the demand for these trends will be beneficial for astute operators because a premium price point can be placed on locally sourced, sustainable and healthy food. Realising this potential can be achieved relatively easily. This is because the 3 trends are interrelated and all start with sourcing food locally. This is because: The food will automatically be more sustainable as smaller scale local farms generally raise more sustainable food and because less fossil fuels are used to transport food over great distances. Unlike industrially raised food, which is generally grown with pesticides, chemicals, preservatives and additives, which are linked to a range of disorders and diseases, sustainable food is produced with a focus on the healthiness for the consumer.

In other words, sourcing food locally is sustainable and sustainable food is healthy, as seen in the following flow chart.



In New Zealand you can find locally grown options at local farmers markets, food hubs or directly from the growers and framers in your community.

LOCAL SOURCING IS POPULAR HERE TOO..

Sustainable food items and culinary themes have filtered down to New Zealand's hospitality industry as well.

A Restaurant Association hospitality industry snapshot survey in 2013 revealed that 85 per cent of operators make a conscious effort to use locally sourced products in their menu's. In fact 35 per cent have already embraced "hyper" local sourcing, utilising their 'own grown' produce - predominantly herbs and vegetables - in their businesses. More operators indicate an intention to get on board this trend over the next 12 months; another 25 per cent say this it is something they will focus on in 2013.

"Currently we grow many varieties of herbs, flowers, micro greens, leafy vegetables. As of this year it is our intention to grow the majority of our fruit and vegetables in a large garden located close to the restaurant.."

Restaurant Association member comment

Smart operators are also looking at ways include their customers in response to the demand for locally sourced products, with one Taranaki operator commenting:

"We just grow our herbs, but we swap coffee vouchers for home grown produce from our customers. We get a lot of fruit and vegetables this way and it gets real 'buy in' from the customers; they love it."

THE FOOD BILL

There are changes happening in the legislation of New Zealand, which will affect the operations of all food businesses.

The Food Bill of New Zealand is a review of the Food Act (1981), and the Food Hygiene Regulations (1974). The new Food Bill aims to modernise food safety by emphasising food safety risks and minimising potential public health risks.

The Food Bill was first introduced to parliament in May 2010, but is yet to be passed into law. The Food Bill differs from the Food Act (1981) because it takes a risk minimisation approach to food safety. This initiative contracts the current Food Hygiene Regulations (1974) with its prescriptive emphasis hygiene and building structure. Furthermore, the Food Bill emphasises the practices and processes of the business, identifying hazards in them and putting measures in place to eliminate these hazards.

The Food Bill aims to standardize food safety based on the level of risk: low, medium or high. Currently, the practices adopted by Local Council authorities in New Zealand are not consistent nationwide. While in some regions the local Councils carry out regular food safety inspections, local authorities in other regions do not. This variance has occurred because of the gaps in the current legislation.

When the new Food Bill of New Zealand becomes law there will be a single set of regulations for food safety that standardises practice across New Zealand. This change will eliminate the need for local bylaws and will improve compliance and enforcement procedures as well as clarify the roles of food industry regulators. According to the Ministry for Primary Industries once the Food Bill comes into force any business involved in food including restaurants and cafes, are obliged to comply with the Hazard Analysis and Critical Control Point (HACCP) program. HACCP is an internationally recognized system that is designed to manage hazards and ensure safety for food businesses. HACCP is an integral part of the following risk-based food safety programs:

- Food Safety Programs (FSPs)
- Risk Management Programs (RMPs)
- Wine Standards Management Plans (WSMPs).
- Food Control Plan (FCP)

These Risk-based food safety programs, their purpose and the implications they have on restaurants and cafes, are outlined in the table below.

Although generally people are resistant to change and the general assumption may be that the implementation of an FCP could time consuming, many

operators have been very optimistic and pragmatic about it, such as Carleen Furner, The Station Café, National Park, who stated:

"FCP's are a bit like Building WoF checks, Once they become as regular as mopping the floor the team just does it as a normal routine."

According to Ministry for Primary Industries (2012, e) a three-step process has to be followed to implement an FCP.

How the Food Bill will impact your business:

"It took my staff and I almost 6 months to fully get our heads around the various processes and required daily checks etc. It was not a simple process of implementation. I'd seriously advise everyone to trial the new FCP whilst it is still in planning stages so that when it becomes law they are au fait with the requirements." (*Member comment*).

Although this initial period may incur some indirect costs, it will over the long run bring several benefits over the old legislation. By keeping such records, restaurants and café owners will have a better overview of their operations and this may result in savings from, reducing wastage, monitoring maintenance costs and lowering costs arising from other inefficient processes.

Also training staff on food safety matters will become more flexible under the new Bill. Competency in the matters of food safety for different positions in a restaurant or café will be sufficient and due to that the structured training of the previous Act will no longer be required, which will further benefit restaurant and café operators.

Finally if a FCP is in place restaurants and cafes will not be inspected anymore but simply audited. Therefore although it is a long process between the Bill being passed, coming into force and then being trialled, it is advisable for restaurants and cafes to use this time to begin gradually adapting to the new legislation under the voluntary implementation scheme. Currently only about 5'000 businesses have adopted the voluntary implementation scheme however early implementation of FCPs, will allow restaurants and cafes to adjust to the new legislation at minimal disruption to the business and also to realise the benefits of using FCPs.

For more information on the Food Bill of New Zealand visit <http://www.foodsafety.govt.nz>.

THE SALE & SUPPLY OF ALCOHOL

Hospitality operators throughout New Zealand will be impacted by new sale of liquor legislation that was passed into law in December 2012 and will become effective in December 2013.

The Sale & Supply of Alcohol Act has replaced the long standing Sale of Liquor Act (1989). The new legislation was drafted to:

- Create a tighter licensing system
- Provide support for alcohol providers
- Promote the safe and responsible sale and supply of alcohol
- Reduce excessive drinking and its associated harm.

The major points within The Sale & Supply of Alcohol Act that impact on cafes and restaurants include:

Territorial Authorities/Local Alcohol Policy

The Sale and Supply of Alcohol Act empowers Councils and Territorial Authorities to set local policies relating to the sale and consumption of alcohol. This is called Local Alcohol Policy. Local Alcohol Policy can apply to:

- The issuing of licences in a region or part of a region.
- The number and location of premises operating in a particular area.
- Conditions on trading hours.
- The imposition of a one-way door policy in their region.

Implications:

Restaurants and cafes have to conform to the various Local Alcohol Policies of Territorial Authorities, which will be able to set different conditions in different regions. Generally the Local Alcohol Policies under The Sale & Supply of Alcohol Act will be more stringent than the policies were under the Sale of Liquor Act (1989).

Trading Hours

All licenses issued to cafes and restaurants include conditions on trading hours. The default maximum of national trading hours on alcohol sales is between

- 8am and 4am, for on-licences
- 7am and 11pm for off-licences.

The trading hours could become more or less restrictive in accordance with the conditions of the license issued under Local Alcohol Policy.

A one way door may also be imposed after a certain time (generally at 2 am). This may be as part of the licence conditions or as part of the Local Alcohol Policy.

Implications:

Cafes and restaurants will have to meet conditions that may or may not be favourable for their business. Depending on the conditions of the licence and the Local Alcohol Policy.

The restriction of alcohol sales between 4am and 8am may restrict bars that rely on international sporting events (in the Northern hemisphere). The live time delay given New Zealand's 'first day status' may prove problematic.

Risk-based Fees

The Sale and Supply of Alcohol Act allows for the introduction of a risk-based licence fee scheme through regulation. This risk-based fees scheme aims to recover the costs associated with alcohol licensing. It also aims to incentivise licensees and managers to improve their practices to reduce the risk of alcohol-related harm.

Implications:

Overall, licensing costs are expected to increase.

Purchase Age

The purchase age has remained at 18 years of age for both on-license and off-license premises.

...THE SALE AND SUPPLY OF ALCOHOL

License Conditions

Beverages with a low alcohol volume (2.5%) and non-alcoholic soft drinks must be available at all times. Water must be available without charge. Further, the supply of beverages with higher alcohol volume should be reasonable and responsible.

The time period between food ordering and its delivery must be reasonable. Information on public transportation must also be available.

Implications:

Licence renewals will be administered more stringently by the District Licensing Committees of the Local Territorial Authority in which the premises are located. Complying with the conditions may impose higher costs for restaurants and cafes because they will have to provide water without charge and because low alcohol volume and non-alcoholic soft drinks will need to be available at all times.

Special Day Trading (Christmas, Easter Sunday, Good Friday and before 1pm on ANZAC day)

The sale of alcohol on these days will be restricted, unless an event licence is obtained. Restaurants and cafes need to apply for a special license at least 20 days before the event from their local council.

Implications:

The process of obtaining special license will be more time consuming and may incur additional costs.



A VIEW FROM QUEENSTOWN

The Queenstown CBD has the highest number of liquor licences per capita in New Zealand.

For the five years to 2009, the number of licensed premises in the Queenstown Lakes district dropped 3% to 4% a year. Since 2010, however, the number of on-licenses issued in Queenstown's CBD has been rising. The number of on-licenses in the district grew 6% in 2010 and 18% in 2011.

Public opinion on this has been divided. While the police and the council generally believe that the number of on-license properties does not have a harmful effect on the town if the number of patrons remains consistent, restaurant, bar and cafe owners disagree.

These business owners feel that a cap on liquor licenses would have a positive effect on the image of the town. Restaurant Association Queenstown Branch President Cameron Mitchell says

"I recently toured much of New Zealand and nowhere did I see it as bad as it is here. Queenstown is supposed to be a premium product, yet you see all these flyers promoting cheap drinks, which I think is detrimental to Queenstown."

The Sale & Supply of Alcohol Act and its tougher licensing conditions, have therefore been welcomed by many restaurant, bar and cafe owners. Selling cheap drinks and the ease of acquiring a liquor licence are things they hope will change. It will give communities a greater say over liquor outlets, set tougher rules for licence applications, and could mean change for the Queenstown bar scene.

The general consensus among these business owners is that the ever increasing number of liquor licenses granted in Queenstown was tarnishing the resort town's image by increasing competition, which encouraged low alcohol prices and consequently a binge drinking culture.

"We need to strive for quality over quantity if we want to uphold the pristine image of Queenstown as an international tourist destination."

Restaurant Association member comment

REBUILDING CANTERBURY

Jimmy Summerfield, Head Honcho, The Flying Burrito Brothers Northlands, The Flying Burrito Brothers Christchurch tells us what it was like to experience the multitude of earthquakes Christchurch has experienced, run a business, a family and continue on in a 'business as usual, we took it in our stride' heartland kind-of-a-way.



PHOTO: FLYING BURRITO BROTHERS, CHRISTCHURCH

When the 10th September, 2010 earthquake hit we got off light, our house was damaged, our two boys slept through it and our restaurant, The Flying Burrito Brothers Christchurch, closed for nine days. Our business partners, my wife's sister Nicky and her husband Ed came through relatively unscathed too. We were all lucky our building used to be a bank and we had undertaken some earthquake strengthening when we opened in 2007 so all things considered our building held up remarkably well. Over the nine days that the business was closed we called in all of our staff and completely cleaned the restaurant, kitchen and storage areas, took photos of any damage and losses and like many other businesses and home owners put in an insurance claim. Fortunately for us, the business interruption insurance paid out reasonably quickly, so we put the earthquake behind us and moved on. When I think back, as a family, we weren't that phased by the continuing aftershocks, we used to laugh and dance when they happened and say "hey boys, shaky house, let's dance!" For us, life went on as normal.

So let's fast forward to February 22nd 2011. Kate can recall this day really clearly. Kate recounted; "we both left work as usual for the day. Later, around noon, we were heading home to pack up the garage so that workmen could begin repairs on our home caused by the September quake. After collecting our two boys from preschool, we pulled into our driveway. Hadley was asleep in his car seat, Jimmy took Oli inside and I was getting out of the car. Next thing the earthquake hit. I remember it so well.... Jimmy came flying out the French doors with Oli in his arms and onto the back lawn, I hung onto the side of the car watching Hadley sleep through the whole ordeal while the car rocked violently from side to side and the house windows flexed and bowed with every movement. It was scary! I

honestly thought I was going to fall in the creek behind me, and that the glass windows would break and shards of sharp glass come flying at me.

When the shaking finally stopped, everyone except Hadley was feeling a bit rattled. We immediately thought of work, what was it like, how were the staff, was the building still standing? While we were used to the aftershocks, Jimmy and I thought that this quake was a biggie. We jumped back into the car and went racing towards town, usually a 10 min drive away."

Jimmy recalls the trip into Christchurch; As we got closer to town we realised the extent of what had just happened. We turned into Salisbury Street and there were people coming towards us with blood on their faces, dazed, shocked, crying. No one knew quite what to do. It started to dawn on us that this was a serious earthquake. It was scary, we had no idea of the extent of the damage and how it impacted on the emotions of people, but emotions were running high. Coming to town from our home we had no idea of the damage this particular earthquake had created. In all the chaos, we saw Jess, one of the girls from the coffee shop opposite our restaurant. She was literally weaving her way down the road. She told us that town was falling down, people were everywhere and that we should get out. Jess also said that she had seen our staff, that they were all safe and that our building was still standing. Fortunately, they had managed to lock up and all get out safely. Phew! Hearing this we turned around to try and head home.

Traffic was gridlock and it took us an hour to travel only four blocks. I kept phoning, trying to get hold of the staff. Kate went into family mode checking on parents, sisters and extended family.

...REBUILDING CANTERBURY HOSPITALITY

The urge to make sure that everyone was ok was a very real and an almost obsessive thing 'to-do'. When I got hold of our Bar Manager Tyron, he told me that the back bar had lost stock, and that he managed to avoid the many falling bottles of our precious tequila collection. At the time of the quake we had customers dining. They dived under the tables and were screaming, but he made it the priority to take care of them first. Then the tills were locked, doors secured and all staff evacuated. I didn't find all of this stuff out at once, phone reception was intermittent, but as the day progressed we put the pieces together.

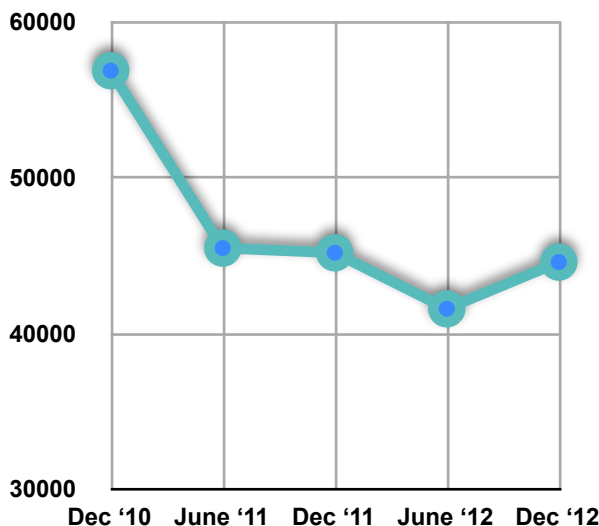
Thinking that this quake was similar to the September earthquake we planned on getting on with our lives, home and business cleaned up and back trading as soon as possible. Little did we know! Like many other Christchurch residents our business partners had not feared well. Their house was badly damaged, liquefaction had drowned parts of their property. But this paled into insignificance...because Nicky's children's grandparents were killed by falling debris. They were on a bus in the CBD, near Colombo Street. Apart from the grief it took four weeks for their unfortunate deaths to be confirmed...it was very, very stressful. We took care of the business dealing with banks, creditors and the insurance company for the business. It was the least we could do, as our business partners were dealing with their own grief and earthquake hassles. This made Kate and I realise that we needed the time away as a family, a temporary escape, a time to take stock of the tragedy.

Unfortunately, our restaurant was in the Red Zone. Christchurch City Council said that this zone could be closed indefinitely while they assessed, demolished and rebuilt....this was not good news. We still had overheads and staff to pay. We gave staff their 'average' wages during this time, they too, like us, have their own financial obligations; we wanted to look after them, we were a family. We continued paying wages as usual. We paid the March rent and business mortgage and tried to keep up with creditors, despite the lack of a normal business income. We thought that we would only be closed for a short period of time. Financial outgoings cut into our business funds and the bank agreed to help us through, which was lucky for us. In mid-March our accountant advised us, to lower all business overheads so that our business interruption insurance would pay us the maximum.

We had business interruption cover for 1 year, we honestly thought we would be well taken care of and had no financial worries because of the business closure. We envisaged that the insurance would cover all the company's mortgage and outstanding debt. And so cost cutting began. We started with staff. All part timers had to have their contracts terminated because there was no business to generate their wages. A week later all management contracts were terminated (including mine) and holiday pays were settled in full. That hurt! My wife, Kate and the accounts lady were the only employees left on the books as Kate handled all the insurance claims and clean up and Liz (the accounts lady) was needed for accounting.

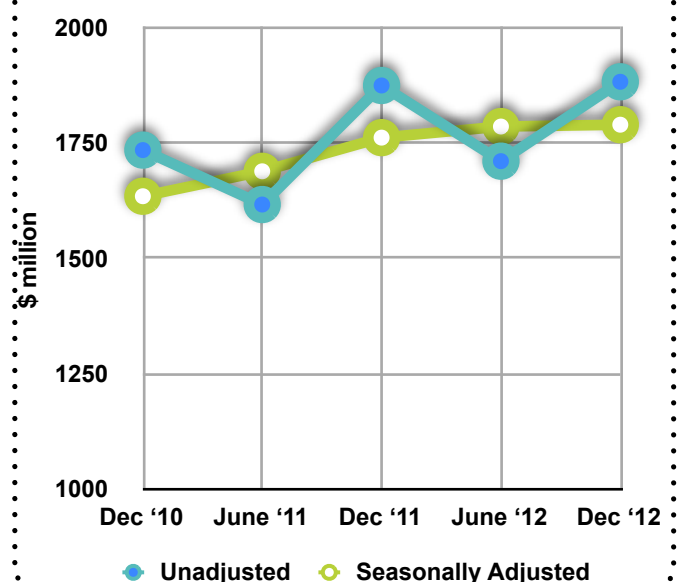
CHRISTCHURCH EMPLOYMENT

Retail Trade & Accommodation Sector
Number of employees



CHRISTCHURCH ACTIVITY

Accommodation and Food Services Sector
Sales Activity



...REBUILDING CANTERBURY HOSPITALITY

It was very hard letting the staff go, but it was something we had to do. Most staff moved onto other restaurants, some left town, others left the country.

Kate and I were down to one income. Reality kicked in. We knew it would start to hurt if we didn't tighten our purse strings. Like all business people we had taken a few personal gambles over the years, achievable because we had such a successful business but we NEVER foresaw an earthquake changing all of that! Spending money on the little luxuries was never questioned before the quake. The time had come to adapt our lifestyle to the "new Christchurch." For the first time in 5 years I went to work for someone else. It was probably the hardest pill to swallow. I was a slightly envious that the business I went to work for was making money and that our business, which I prided myself on, was closed. It was hard, but we still had each other, a liveable house with running water and a flushing toilet... luxury items. We were also so much luckier than many others, especially those who had lost everything, especially loved ones.

While we lived day to day and did what we could to get through our home's insurance hassles, Kate also worked on FBB Christchurch's insurance claim. We had been allowed access to the site on a few occasions. This allowed us to itemise stock and plant, clean the rotting food away and assess the building in general. We put in claims to the insurance company for stock and material damage, having completed a stocktake and photographed everything, right down to the 200+ tequila selection, table sauces and rotting food in the chillers. It was a major undertaking, but we were determined to get all the money we were owed.

With realisation that FBB Christchurch wasn't going to be open again in a hurry we again stepped up the search for a second and new restaurant location. In April we came across a vacant Pizza Hut in the Northlands Shopping Centre that we thought was ripe for the picking.

We secured the site and our architect went to work to convert it. We needed to recreate the brand but on a smaller scale (85 covers vs the 200 in town) at as little cost as possible. We secured the money to fit out the site and set to work. We managed to get some furniture, equipment and Mexican artefacts out of the city restaurant and leased them to The Flying Burrito

Brothers Northlands as an interim decor measure. Due to the good relationships we had with the architect, the building contractor and our previous suppliers we managed to get The Flying Burrito Brothers Northlands built in record time. On the 8th July 2011 we opened for business. I was back working for myself again and could not have been happier. We had given Christchurch back one of its regular haunts. People flocked through the newly painted, pink doors and it felt so good to be able to feed the people of Christchurch again and deliver the great service and delicious margaritas that we were famous for. Only one Prep Chef, and the Bar Manager from FBB Christchurch, came over to the new restaurant, all the other staff had moved on.

"LIKE ALL BUSINESS PEOPLE WE HAD TAKEN A FEW PERSONAL GAMBLERES OVER THE YEARS, ACHIEVABLE BECAUSE WE HAD SUCH A SUCCESSFUL BUSINESS BUT WE NEVER FORESAW AN EARTHQUAKE CHANGING THAT!"

A year and a half on and we have just finished extending FBB Northlands by adding an outdoor area. We are consistently busy and we certainly made the right move by getting the business open quickly.

FBB Northlands has been our saving grace in many ways. It has helped us repay the outstanding monies owed by FBB Christchurch, but most importantly we had to move on and concentrate on what we have now and make it work the best we can. Insurance premiums are huge, overheads in general are higher, but again, we have a successful business that will help to pull us all through.

The original FBB is located on the corner of Armagh and New Regent Streets, inside the "red zone". The restaurant remains closed and we are still unsure if we will be able to get back in. The building is still standing but all the buildings around it have gone. Christchurch city is being rebuilt in zones and this site will be in the middle of the Performing Arts Zone. We really want to be a part of the new central city development but while the bureaucrats discuss what's happening and when it will happen the waiting continues for us.

It's been an emotional few years full of definite lows and memorable highs. We finally have the 2 restaurants we always wanted, admittedly one of them isn't quite as busy as we'd like (its closed!), but the other one is absolutely thriving! We've also survived over 11,000 aftershocks and not many people that can say that. It's been hard but we aren't the type of people who give up, we'll fight this to the end and make the most of every opportunity that comes our way. Maybe it's time to try for 3 restaurants!

A photograph of a restaurant interior. In the foreground, a long, rectangular table with a white marble top is set for a meal. The table is surrounded by wooden chairs with red upholstered seats. On the table, there are white plates, silverware, glasses, and a lit candle in a brass holder. In the background, a fireplace is filled with stacked firewood. To the left, a large window with a black frame is decorated with a tall, slender plant in a dark vase. Three small framed pictures hang on the wall above the fireplace. The overall atmosphere is warm and rustic.

CHALLENGES RESPONSES

2013 CHALLENGES

Hospitality Industry Survey Results and Industry Comment



PHOTO: TOTO RESTAURANT AUCKLAND

LABOUR COSTS pose biggest test for business

2013's long, hot summer provided some much needed rise in trade for many regions and anecdotally the mood of the industry seems much improved from 2012. National sales grew 6.7% from 2011-2012, hopefully indicating a swing to more profitable times.

However, while hospitality operators are cautiously optimistic, the number of business closures reminds us that trading conditions have been extremely difficult over the past few years and there continues to be many challenges to remaining profitable in 2013.

"Since December 2012 we have had a good up lift in the business, hugely so in February - making it a record! Mood around this town is much more positive, in fact it is upbeat!" Restaurateur, Northland

A recent Restaurant Association snapshot survey saw operators identify their top challenges, now and in the future. Looking back over 2012, the top challenge facing hospitality businesses was identified as **LABOUR COSTS**, with 60.8% of this survey's respondents choosing this as the biggest test for their business. Operators don't see this changing in 2013, as it also rates as the highest predicted challenge this year. Needless to say, as hospitality is such a labour intensive industry, any reductions that can be made to your labour costs will positively impact a business' bottom line.

	TOP CHALLENGES 2012	EXPECTED TOP CHALLENGES 2013
Labour costs	61%	58% (1)
Lack of skilled employees	42%	34% (4)
Operating costs	38%	40% (3)
Food costs	37%	29% (5)
Building/Maintaining sales volume	37%	44% (2)
Lack of cashflow	19%	13% (9)
Competition from other businesses	19%	21% (6)
Tax burden	16%	17% (8)
Government legislation/compliance	15%	18% (7)
Menu pricing	7%	7% (10)
Access to capital	7%	7% (11)
Inflation	3%	6% (12)
Shortage of supplies	0.4%	2% (13)

SOURCE: RESTAURANT ASSOCIATION HOSPITALITY INDUSTRY SURVEY

TOP CHALLENGES By Region

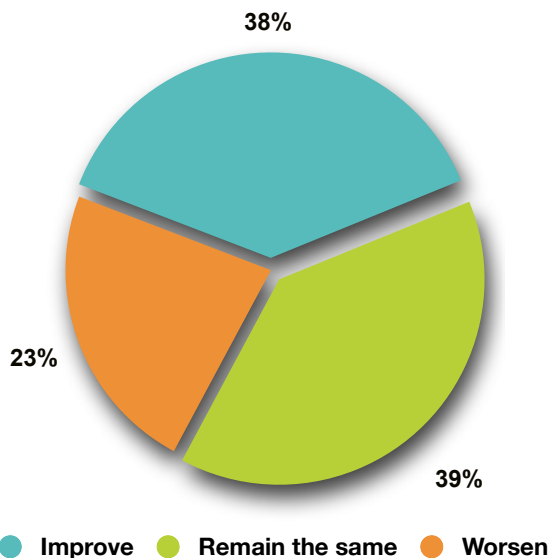
Industry Results

CHALLENGES & RESPONSES

REGION	EXPECTED TOP CHALLENGE FOR 2013	PERCENT
Northland	Operating Costs	58%
Auckland	Labour Costs	58%
Bay of Plenty	Building and Maintaining Sales	67%
Waikato	Lack of skilled employees	73%
Hawke's Bay	Labour costs	90%
Wellington	Labour costs	58%
Rest of Nth Island	Labour Costs	69%
Canterbury	Labour Costs	67%
Rest of Sth Island	Labour costs	52%

As a measure of **BUSINESS CONFIDENCE** within the industry, 77% believe that business conditions for the industry will remain the same or improve over the next 12 months and 55% of the industry considered that current business conditions for *their* business were good or excellent.

Expectation of business conditions in 2013



SOURCE: RESTAURANT ASSOCIATION HOSPITALITY INDUSTRY SURVEY

"We have made huge developments in labour cost which has meant we come out of 2012 far better. When we took over the restaurant labour was at 50%! We are still only halfway and learning the tough balancing act of keeping customers happy but not blowing the budget." Restaurateur, Wellington

A LACK OF SKILLED EMPLOYEES, which rated the second biggest challenge in 2012, is a contributing factor to concerns over labour costs. Owners are unable to find suitable candidates to fill vacant positions in the business and find themselves paying more to secure, and retain, good employees – sometimes more than they can afford.

"Our main issues are staff. Not only cost but securing them for a reasonable time while paying them a basic wage. We would love to pay them a better rate but we cannot afford to." Café owner, Auckland

FOOD COSTS and BUILDING AND MAINTAINING SALES VOLUME are also of major concern. At 37.2%, food costs were rated as the third biggest challenge in 2012. Building and maintain sales volume was slightly behind this at 36.8%. Many business owners commented that although food costs (and other costs) had increased they found it difficult to increase their menu pricing past a perceived threshold. As one Auckland operator commented, "*Customers are always looking for value for money and don't appreciate the impact that rising food and operational costs have on the consumer end.*"

COMPETITION FROM OTHER BUSINESSES also featured as a bigger concern than in previous years. Many regions have seen a proliferation of new businesses opening over the past 18 months. Some operators questioned how the industry can sustain this growth in the number of businesses as it is 'spreading the custom slim'.

This comment from an Auckland restaurateur captures the sentiment of many:

"Navigating all aspects of business is proving difficult due to rising costs. On top of everything our rent increased by \$20k p.a last year! Simply increasing menu prices is not an option. Customers are hurting too. Compliance takes up a lot of management time and resources. Taxes! Don't even go there. Currently we're spending on team building, staff training, building customer loyalty and organising sponsored events. Trying various marketing avenues. Daily-deals? The devil made me do it."

BUSINESS CONFIDENCE

Good operators will be monitoring their operational and other costs in an effort to remain profitable, however many operators believe that it is becoming more difficult to control these costs. In a survey conducted by the Restaurant Association 54% indicated that it was **MORE CHALLENGING TO CONTROL COSTS** in 2012 over the year previous.

67% of respondents in the Northland and Bay of Plenty regions found controlling costs more difficult in 2012. South Island operators seem to fare better than their North Island counterparts here.

However, in line with industry sales figures, which report a 6.7 per cent increase in 2012, the largest percentage of respondents in this survey reported that **SALES WERE UP** in 2012, with 43.4%, indicating sales growth of, on average, 7%.

Just under 30% indicated that sales remained the same. Unfortunately a like number reported a sales decrease for the year and the average for these businesses was a decrease in sales of 11%. Of these operators who reported sales decreases, a significant 88% said that they found controlling costs to be more difficult in 2012 and not surprisingly building and maintaining sales volume is expected to be their biggest challenge in 2013.

Auckland operators reported the best sales performance. 45% of Auckland operators had an increase in sales in 2012, compared to 27% of Wellington operators.

Maintaining a profitable business is still difficult for many operators around the country. Despite 44% indicating that sales had increased in 2012, only 29% reported that profitability was up for the year. 35% felt **PROFITABILITY WAS OVERALL ABOUT THE SAME**.

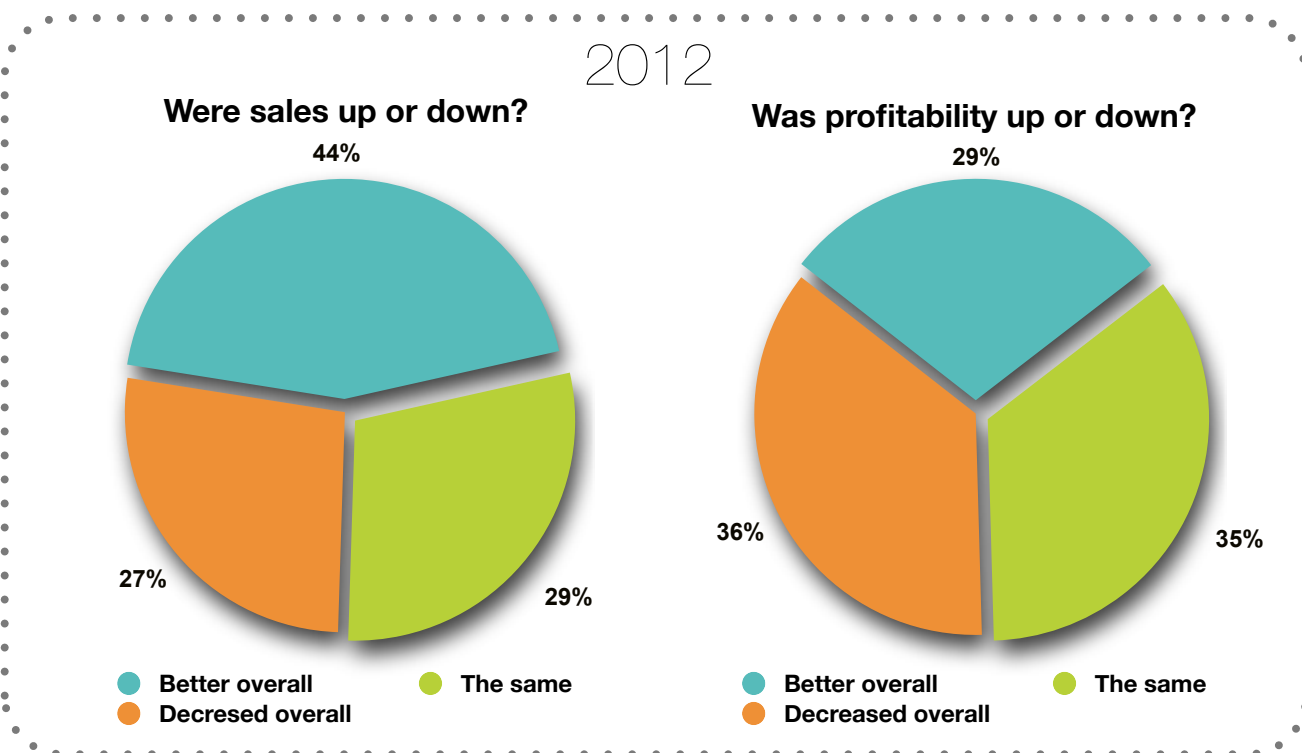
The key factor contributing to a lack of profitability was again identified as labour / wage costs.

And while only 9% report that trading conditions for their own business are excellent, 46% describe them as being "good".

"I think in the food industry there is a more positive mood amongst business owners and the public. For us, people seem to be using cafes more regularly. Cafes are becoming a 'social hub' and people are looking for fresh, homemade food in a nice welcoming atmosphere." Café owner

The most optimistic region appears to be Hawke's Bay, as over 90% of that region's business owners say that business conditions for the industry are getting better (60%), or remaining the same (30%).

"I think 2013 will be "OK" and we are looking at ways of increasing sales by developing our profile / brand awareness, enhancing our Social media footprint, loyalty schemes etc. Reducing labour costs when opportunities arise will be vital." Auckland restaurateur



ENVIRONMENTAL AWARENESS

market response: Steve Logan

Like a lot of Kiwis I have always had been concerned about mans impact on the environment. And, also like most I just worried but did little 'practical' about the these concerns accept pay Greenpeace a monthly donation. But my inaction radically changed about four years ago when I saw a movie that really shocked me into action.



PHOTO: LOGAN BROWN RESTAURANT, WELLINGTON



It was called The Age of the Stupid. The movie gave a future view, 50 years from now, when the earth's environment has been destroyed by man. The story was told like news coverage using documentary or news footage, the kind of thing we see everyday in our media; floods, fires, oil spills, polar bears drowning.

Seeing this, I guess it dawned on me that I too would be stupid if I just watched our environment deteriorate and continued to do nothing to stop it. I began by selling my thirsty old Daimler car; I began to recycle better, and compost food waste. I insulated my home. My personal mission spilled into my business and at Logan Brown we realised that our business had the potential to make a difference because we use so many resources and come in to contact with so many people.

As a business we started to support organisations that are on the front line of raising awareness about climate change, businesses like 350.org, WWF and the Last Ocean. We also signed up with the regional councils programme called Environ mark. This programme addressed the businesses carbon foot print.

Consequently, we have achieved and held Gold status for 3 years.

Implementing this programme meant overhauling our water and energy use; reconsidering where we source our products; reviewing our recycling practises including health and safety. The program is about putting in place systems that are permanent and ensure good practises are followed.

This has created a business benefit for Logan Brown, including:

- We feel good about this programme because even though we are not perfect we are actually doing something for the environment.
- The team like to work for a business that cares.
- We have stabilised our energy usage costs.
- Guests are beginning to take notice and while it's hard to measure we believe potential "green thinking" customers will choose us over are a restaurant that does not have good environmental practises.
- There are consumer driven organisations immerging that will enable consumers to see which businesses are being operating in ethical and environmentally friendly ways. One that I have been involved with is Conscious Consumers. I believe they will become quite influential in the near future.

Logan Brown has signed up with the Conscious Consumers programme and has been awarded 5 Conscious Consumers badges.

Although many businesses owners do not believe that climate change is an issue or their problem, I reckon it is smart business practice to make changes to become environmentally friendly now because it will not be too long before the market or possible regulation makes them do so. Maybe the next generation with thank us for passing on a reasonably clean and healthy planet.

WHAT MAKES A GREAT CHEF?

market response: Michael Van de Elzen

What makes a great Chef?

Lindsay Neill took time out to find out what makes Michael Van de Elzen tick and its more than just having a great talent and being in the right place at the right time.



PHOTO REPRODUCED WITH PERMISSION OF BABICHE MARTENS



Inducted into the Restaurant Association of New Zealand Hall of Fame in 2012, proud and successful owner of Molten Restaurant and Liquid Molten (2003-11), as well as the Molten Cookbook

After leaving school Michael began work at Kermadec under Chef Takashi Nakamura. Nakamura was a key influence on Michael, as Michael recalled, 'Takashi opened my eyes, he was a true and perfect craftsman'. At the same time Michael began culinary studies at Auckland Institute of Technology, (now AUT) but readily admits that AIT 'just didn't do it for me'. Rather, Michael sought the creativity that Takashi espoused, a disposition that was soon to land the young trainee chef in hot water.

Thinking he could inject his own style into one of Takashi's signature dishes, Michael added chili to Takashi's famous ratatouille stuffed and crumbed squid tubes. Michael recalled the fallout, something that made him realize that there is more to food than just a list of ingredients...that a real chef has thought these dishes through; they are in fact a part of the chef. Sitting in the staff room unaware Takashi was on the line tasting the mis en place, a furious Takashi appeared demanding, in no uncertain terms, to know who had added chili to the ratatouille mix: Michael reluctantly admitted 'it was me'. What Michael learnt immediately from the irate Takashi was that this dish was Takashi, his years of knowledge and passion were encapsulated within its very being, it was a sacred testimony to Takashi's skill and artistry that had just been completely ruined by someone (Michael) who thought 'it would taste better with chilli', simply, and for Takashi it did not. Michael quickly realized that food is a serious business.

(2011), Michael Van de Elzen's list of achievements don't stop there; the Food Truck, Michael's popular foray into television, is now in its third series. Ever the reluctant celebrity, Michael took more time out of his busy schedule to tell us why he chose the stove and the demanding life of a chef over that of a poultry farmer.

Like many people, Michael had to make career choices. Two options were at the top of the list; take over and run the family's poultry farm business in Henderson, or follow his heart and passion into food. His sisters helped him make up his mind. Both sisters were waitresses at Tony's vineyard restaurant in Henderson. They secured the young, still at school, Michael a job there doing the dishes. Even then, amid the piles of dirty plates and pots, Michael instinctively knew 'this is me!' Michael recalled 'I loved the drama and action of the kitchen, there's nothing like a kitchen operating in full flight'.

From Kermadec, Michael took charge of the kitchen at Antiks restaurant on Auckland's Dominion Road. While Antiks gained a fantastic reputation because of Michael's food, Michael admitted 'I still had a lot to learn, we got Jerusalem artichokes, and I really had no idea what to do with them except for what a cookbook told me'.

...WHAT MAKES A GREAT CHEF?

Consequently, Michael decided to travel overseas, to gain more experience and begin to fill the knowledge void cookbooks could not.

Michael found his niche cooking for mega star Terence Conran in London's 500 cover Bluebird restaurant. Michael was amazed at the scale of Conran's business; 'it was a great experience, but I was like a robot, it was a military style operation, that while lacking the passion I sought, had the operational practicality and systems of control that later provided the cornerstones I used for Molten'. Michael recalled, 'working for Conran turned a boy into a man. Each night I'd walk back home, down the Kings Road, tears in my eyes from the exhaustion and demands of the work. But I was determined I would not fail and summoned up some of my genetic heritage, Dutch courage'.

After six years Michael returned to New Zealand with wife Belinda and took over the Chef's position at Hammerheads on Tamaki Drive, Auckland. After some time there 'I begged, borrowed and maxed out the credit cards to open Molten. We were so cash strapped the restaurant introduced a new design theme...no art work, only because we couldn't afford any!' Because of substantial debt, Michael was determined that the restaurant 'simply could not fail'. Looking back Michael noted, 'my time at Conran's restaurant gave me the systems of control I needed to make Molten work...we had everything trained for, how to answer the telephone, everything, in fact staff often joked that they had been Moltonised!' Success bred more success and to generate a wider cash flow Michael and new wife Belinda, opened up Liquid Molten. With the business closed Sundays Michael used that time to put together a restaurant cookbook, The Molten Cookbook, with food photographer Babiche Martens. Each Sunday for about two years the pair worked on the book. When the book was almost complete Michael sought a publisher. Random House jumped at the opportunity to help complete the remaining parts. This work, combined with his past experience gave Michael the moment when everything fell into place, what he calls 'his epiphany, I knew what I was doing, I didn't need to rely on a book, even though I still use them, I felt I had found my culinary self.'

After this, things started moving, Michael was asked to audition for a new TV show, The Food Truck. Michael recounted, 'the TV company rang me up and asked me to audition. Naively, I thought it was just me, but after speaking to a few other chefs around Auckland, it turned out that they auditioned...almost everyone I knew.' This was an ego blow, but Belinda talked sense into Michael, and as they say the rest is history.

Michael started filming the day after passing the audition. Early episodes took a while for Michael to adjust to but he soon got into the swing of it, admitting 'it filled a creative gap, and I am a compulsive workaholic'. Selling Molten around the time of the Rugby World Cup in 2011, and filming more series of The Food Truck, has kept Michael busy, but Michael has more plans afoot. Michael has a new venture, The Food Truck Garage, which has recently opened in Auckland's City Works Depot.

Overall, Michael has no regrets in choosing hospitality over poultry farming. 'I've cooked for the Queen and she thanked me for her food experience but what I really love is watching people having fun in my restaurant, then popping their heads round the kitchen door and saying "that was great", thank you'.

TOP TIPS FROM MICHAEL VAN DE ELZEN

- Travel overseas to gain some international experience and to learn about other dining cultures around the world - it will begin to fill the knowledge void.
- Systems provide the cornerstone of your restaurant business. Spend some time getting the systems right. No detail is too small, at Molten they even had training on how to answer the telephone.
- Michael's time in London working at Terrence Conran's Bluebird restaurant taught him valuable lessons on how to manage staff. "It taught me there are two ways, hard and good, and there's an art to finding a balance between the two."
- Hospitality can be an inherently unhealthy business; you work long hours and tend to eat late or at odd times. It is a physically demanding job and mentally taxing. Try to find some balance and maintain good health. As Michael says, "unless you are on top of your health, you're making it harder on yourself, in any job."
- People will respond if you are passionate about something, so focus on what excites you most. In Michael's case he is passionate about healthy fast food and the business of bringing great food to the public. Michael says of his new venture, The Food Truck Garage, "my goal is food cooked to order in under 10 minutes - and it has to be healthier than what's already out there."

A close-up, side-profile photograph of a woman with dark hair, wearing a teal sweater and a watch, drinking from a white coffee cup. The background is a blurred cafe setting with warm lighting and bokeh effects. The text 'HUMAN ECONOMIC CAPITAL' is overlaid in orange, with 'ECONOMIC' in a bold, solid font and 'HUMAN' and 'CAPITAL' in a thin, outlined font.

HUMAN
ECONOMIC
CAPITAL

HUMAN ECONOMIC CAPITAL



Remuneration, Productivity & Labour Pool indicators

PHOTO: ENTICE CAFE, MASTERTON

The hospitality industry workforce grew by 1.5 per cent from 2011 – 2012.

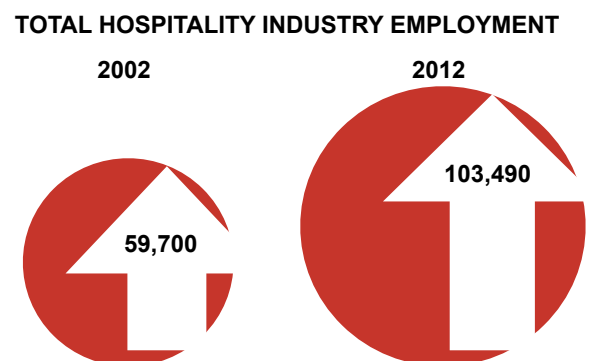
Although this is at a slower rate than increases seen in the first half of this decade, it is more than three times the rate that the industry grew (in number of businesses) over this period. This growth is primarily being driven by the catering sector, which recorded employee growth of 4.2% from 2011 - 2012 and takeaway foodservices, which reported a 3.2% increase.

HOSPITALITY INDUSTRY EMPLOYEE COUNT	2011	2012	2012 VS 2011
Cafes and Restaurants	1,975	2,078	2,186
Takeaway Foodservices	471.2	461.3	493.1
Catering Services	273.1	255.8	303.4
Pubs, Taverns and Bars	328.7	360.3	377.3
Clubs	936.9	945.0	860.4
TOTAL	454.8	498.7	541.0

The hospitality sectors employment increases are well above national employment standards. By comparison employment across all of New Zealand decreased by 1.3% from Dec 2011 – Dec 2012.

Looking ahead, the Ministry of Business, Innovation and Employment forecast that employment in New Zealand will increase gradually from 2013 – 2015; growing by 2.1% (or 46,100) between 2013 and 2014, and by 1.6% (or 36,000) between 2014 and 2015. However, this is well below the pre-recession employment growth rate of about 2.8% per annum. The hospitality industry, along with accommodation and retail services, is expected to be one of the industries posting the highest annual employment growth through to 2015.

Employment is expected to increase by 82,100 in the two years between 2013 and 2015 year to March, which suggests a strong recovery in the labour market associated with the Canterbury rebuild. Auckland and Canterbury are expected to dominate national employment growth over this period.



FINDING SKILLED WORKERS IS TOUGH

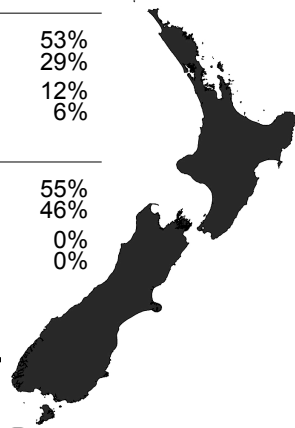
The lack of skilled employees was rated as the second biggest challenge of hospitality business operators in 2012. According to the Ministry of Business, Innovation and Employment, the number of online job vacancies for one of those skilled positions in the industry, cafe managers, increased by 38.3% from August 2011 to August 2012. This compares with an overall increase of 7.9% for all skilled vacancies over the same period. Despite these indications are that this position (along with restaurant and bar managers) will be removed from the Immigration New Zealand Short Term Skill Shortage list at the end of 2013.

A survey by the Restaurant Association of business owners in the hospitality industry produced some alarming results concerning the worsening skill shortages the industry is experiencing for key hospitality staff – in particular restaurant, café, bar manager roles. The importance of finding the right candidates cannot be underestimated as staff in these roles act as the conduit between ownership and staff. 66% of the Restaurant Association’s survey respondents have advertised for a restaurant / café or bar manager over the past year and an overwhelming 90% indicate an unacceptable degree of difficulty in filling the position. Many indicate that while they receive applications there is a real shortage of appropriate candidates with the relevant skills and experience. Of concern is that the shortage appears to have worsened over the past two years - in 2010 when the industry was also surveyed on this subject 83% at that time indicated that they had found it extremely difficult or difficult to fill the position.

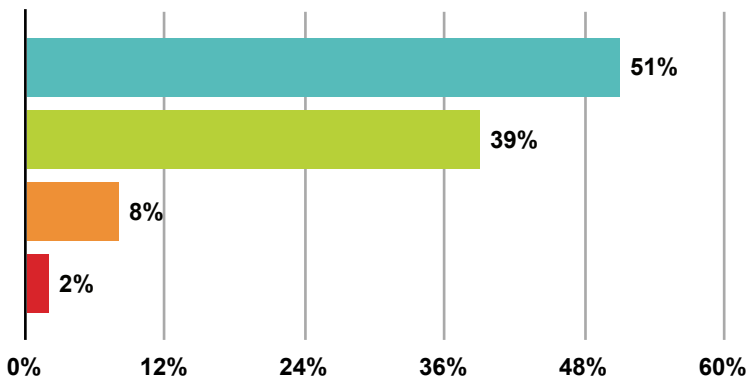
REGIONAL SPOTLIGHT:

Auckland / Upper North Island	Extremely difficult.....	40%
	Difficult.....	52%
	Relatively easy.....	5%
	Extremely easy.....	3%
Bay of Plenty / Waikato / Rotorua	Extremely difficult.....	48%
	Difficult.....	39%
	Relatively easy.....	9%
	Extremely easy.....	4%
Central North Island / Taranaki	Extremely difficult.....	71%
	Difficult.....	29%
	Relatively easy.....	0%
	Extremely easy.....	3%
Wellington	Extremely difficult.....	56%
	Difficult.....	13%
	Relatively easy.....	31%
	Extremely easy.....	0%
Canterbury / Upper South Island	Extremely difficult.....	53%
	Difficult.....	29%
	Relatively easy.....	12%
	Extremely easy.....	6%
Otago / Southland	Extremely difficult.....	55%
	Difficult.....	46%
	Relatively easy.....	0%
	Extremely easy.....	0%

SOURCE: RESTAURANT ASSOCIATION HOSPITALITY INDUSTRY SURVEY



How easy do you find it to recruit a restaurant manager?



“It would be nice if Immigration could walk in our shoes for a day and see just how it is to find suitable Kiwis for these roles. They are out there but there are just not enough..”

Restaurant Association member comment

- **Extremely Difficult.** I had to repeatedly advertise to fill the position
- **Difficult.** I was able to fill the position but not in an acceptable timeframe.
- **Relatively Easy.** I was able to fill the position in a suitable timeframe.
- **Extremely Easy.** I had a number of suitable candidates applying for the job.

...FINDING SKILLED WORKERS IS TOUGH

While the reported shortages are nationwide, Canterbury has been particularly hard hit, with many hospitality workers no longer in town. Christchurch has lost a generation of hospitality workers and they are not going to be easy to replace.

Recent statistics released by online recruitment site, Seek, indicates new online job applications in Canterbury have jumped 17 per cent over the past year. Businesses finally due to reopen after the devastating earthquakes in 2010 & 2011 are now struggling to find any staff at all as one Christchurch operator comments:

"We have been advertising for staff for the past 6 weeks and to put it mildly it is almost impossible to find good key staff, in fact almost any staff with any experience at all. It was the case, prior to the earthquake, that a staff member with less experience could be taken on and 'nursed' by surrounding them with experienced staff. That can no longer happen as there are no experienced staff available."

There is also some alarm over the number of employees departing New Zealand for the higher wages on offer overseas. In particular opportunities in Australia include higher hourly rates, penal rates, more tips and no requirements for a visa to work there. Asked if there was a recurring reason for people leaving key management roles, the top reason, at 61%, is to work overseas.

Also of concern is the 40% leaving hospitality to work in another industry. An Auckland restaurateur reiterates this concern, indicating that due to continued staff losses to Australia and other countries, and an ever increasing number of establishments opening and "poaching" quality staff, recruitment for these roles remains extremely difficult.

The overwhelming call from business owners is that these roles remain on the immediate skills shortage list, to help keep hospitality businesses thriving in New Zealand. An Auckland restaurateur sums this up:

"Our industry is lacking skilled staff in this area. As the industry continues to grow larger the shortage is becoming greater. It would be a huge blow to the hospitality industry and the country on a whole if we put more barriers in place to employing the skilled staff we need. If anything we should be making it easier to attract key staff to our shores who can pass on their knowledge."

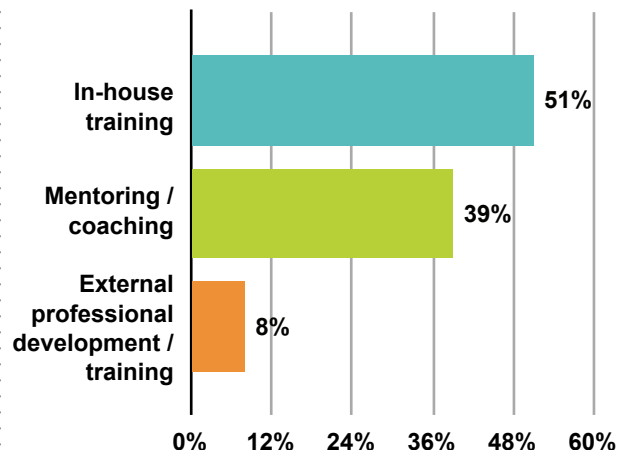
BUSINESS OWNERS ARE INVESTING IN THE EXISTING LABOUR POOL

Emphasising business owners' willingness to develop and promote staff from within the business, 81% have formal in-house training programmes in place to assist suitable staff to move into more senior roles. 70% also use professional mentoring or coaching, while 31% utilise external professional development or training courses for their staff.

As one industry professional comments: "We have always found these roles to be one of the most notorious to recruit for. In response to that, we have taken the training and development of our staff very seriously, and have two separate management training programs that operate throughout the year to train our staff on the key factors of managing a hospitality business. Even with this training we still find it difficult to fill the role of Bar & Restaurant Manager as often staff are not ready to step into these roles when required, or, after investing in training with them, they leave."

Businesses are also incentivising key staff to stay by offering additional employment benefits like meal / dining discounts (84%), bonus incentive schemes (38%), tips (65%) and additional leave (10%).

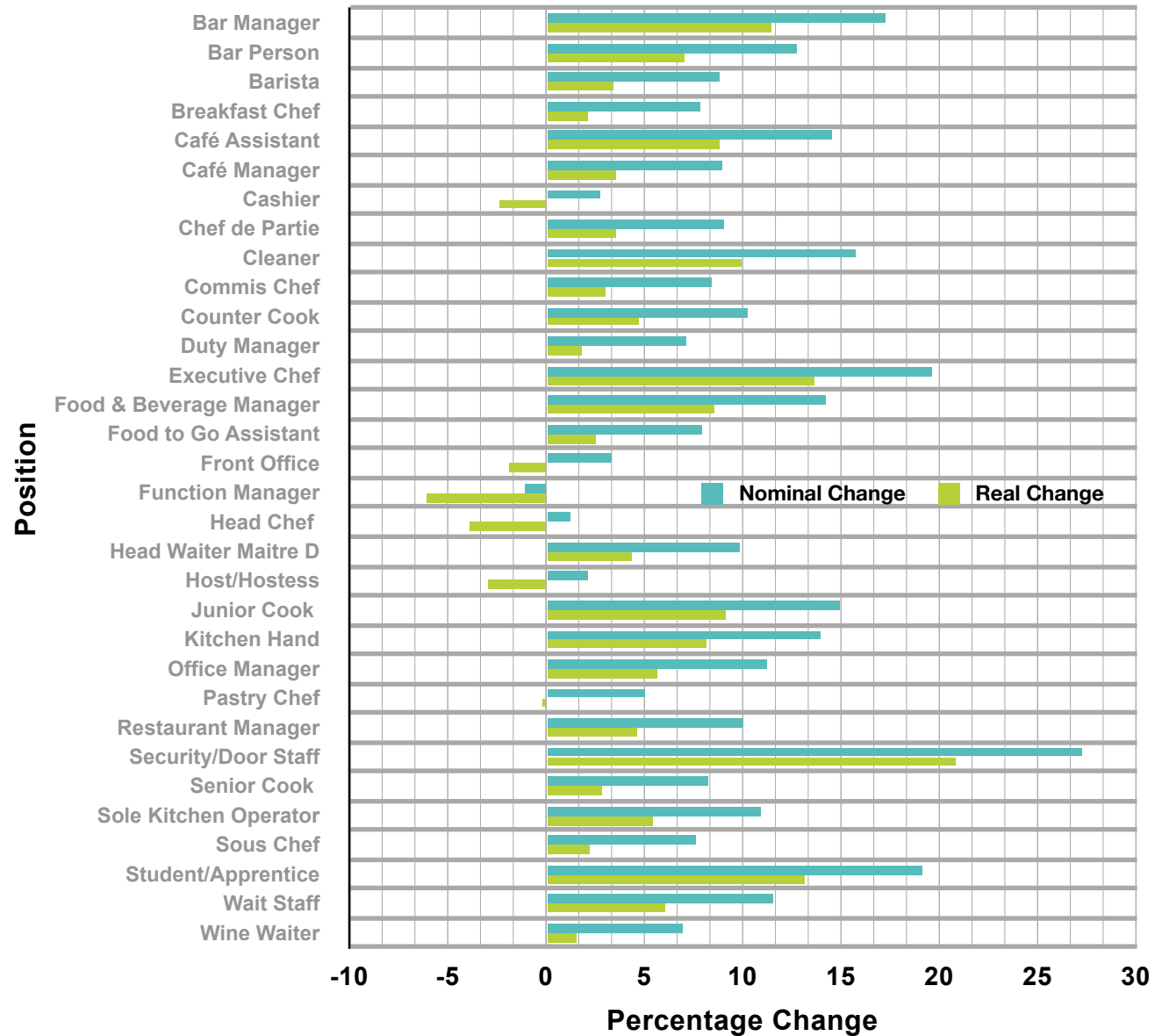
How do you assist to develop an employee's skills to move into management level?



REMUNERATION DATA

Average HOURLY WAGE Growth: 2008 - 2012

REMUNERATION DATA



SOURCE: RESTAURANT ASSOCIATION ANNUAL REMUNERATION SURVEY

Wage rates appear to be under tight control until business conditions improve further for many hospitality operators.

The average hourly rate across all hospitality positions in 2012 was \$15.90, unfortunately well below New Zealand's average hourly wage of \$27.00. Across New Zealand average hourly wages rose 2.6 percent in the last year and since September 2008 the average wage after tax has increased by a total of 22 percent (from just over \$36,000 a year to just over \$44,000). However in the hospitality industry hourly wage rates show more subdued growth, as hospitality operators strive to keep their labour costs under control.

When analysing remuneration trends in the hospitality industry over a five year period (2008 – 2012), average hourly rates increased by between 1.2%

(head chef position) to 31.7% (food to go position). Of note, although the head chef position had a minimal increase of 1.2% over that period, an executive chef saw their hourly remuneration increase by 19.6%. The only position to record a decrease in wage over this period was function manager (-1.1%).

The real growth, adjusted for inflation, indicates that 30 of the 36 positions surveyed had wage growth. This growth ranged from 0.9% (housekeeper) up to 20.8% for security / door staff. The six positions that suffered over this period were cashier, front office, function manager, head chef, host/hostess and pastry chef.



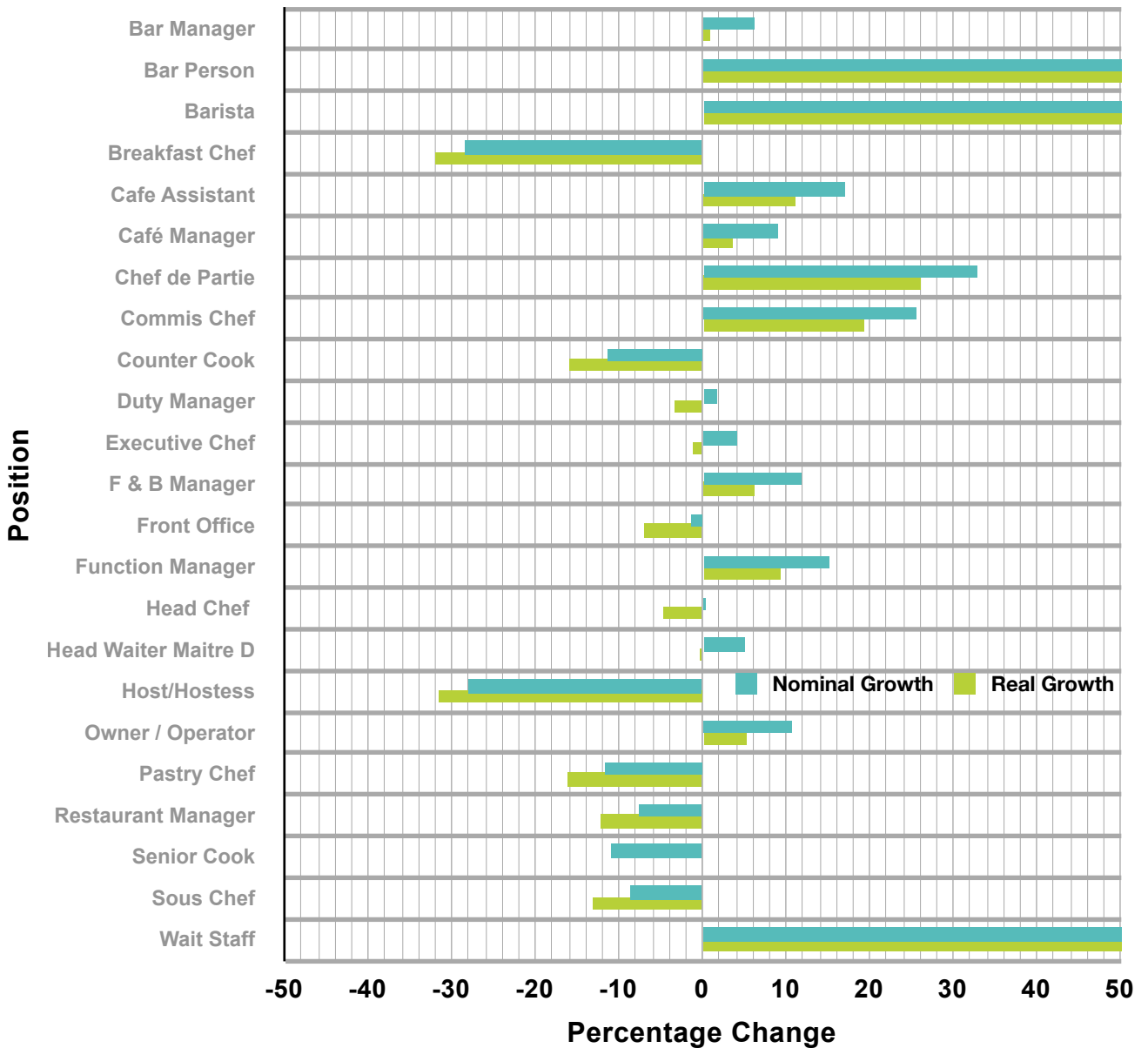
Labour costs rank as the number one challenge facing hospitality operators. In 2012 62% said this was their top challenge.

REMUNERATION DATA

Average SALARY Growth: 2008 - 2012

REMUNERATION DATA

SOURCE: RESTAURANT ASSOCIATION ANNUAL REMUNERATION SURVEY



The average salary for a worker in New Zealand is now \$53,000 a year before tax, which is close to the typical take home salary of a hospitality owner/ operator in 2012 who earns, on average, \$52,304. While the average wage in New Zealand increased 22 per cent from 2008 – 2012, for owners of hospitality businesses that increase was a more subdued 11%.

Some positions in the industry, however, recorded significant salary growth over five years – particularly Bar staff and Wait staff who doubled their earnings over the period. Wait staff salary rates jumped 20% over the past year. Baristas also saw their salary increase from \$20,320 in 2008, to \$32,529 in 2012.

Analysis of the real salary growth over 2008 – 2012, adjusted for inflation, shows that for 13 out of the 36 positions surveyed their salary decreased. Several key positions recorded decreases, including Executive Chefs (down 1.1%), Head Chefs (down 4.7%), Sous Chefs (down 13.1%) and Restaurant Managers (down 12.2%). Conversely a Chef de Partie was 26.1% better off in 2012 and Commis Chefs also recorded a positive 19.3% increase.

As labour is one of the largest costs to our businesses (and ranks as our biggest challenge), operators are wise to keep remuneration levels in check when faced with escalating rises in food and other costs.

REMUNERATION DATA

HOURLY and SALARY Remuneration by Position: 2008-2012

REMUNERATION DATA

	2008	2009		2010		2011		2012		2012
	Rate	Rate	% change '08-'09	Rate	% change '09-'10	Rate	% change '10-'11	Rate	% change '11-'12	Annual Salary Remuneration
Bar Manager	\$15.84	\$17.90	13.0%	\$17.50	-2.2%	\$19.33	10.0%	\$18.57	-4.0%	\$50,632
Bar Person	\$13.35	\$13.95	4.5%	\$14.43	3.4%	\$14.74	2.0%	\$15.04	2.0%	\$30,844
Barista	\$14.32	\$14.88	3.9%	\$14.57	-2.1%	\$15.37	5.0%	\$15.58	1.0%	\$32,529
Breakfast Chef	\$15.58	\$15.93	2.2%	\$16.20	1.7%	\$16.75	3.0%	\$16.75	0%	\$29,500
Café Assistant	\$12.60	\$13.53	7.4%	\$13.83	2.2%	\$14.40	4.0%	\$14.43	0%	\$33,000
Café Manager	\$16.55	\$17.72	7.1%	\$18.33	3.4%	\$18.59	1.0%	\$18.03	-3.0%	\$47,762
Cashier	\$17.47	\$16.61	-4.9%	\$15.10	-9.1%	\$15.82	5.0%	\$17.95	13.0%	~
Chef de Partie	\$16.06	\$16.89	5.2%	\$16.60	-1.7%	\$17.11	3.0%	\$17.50	2.0%	\$36,846
Cleaner	\$13.09	\$14.07	7.5%	\$14.40	2.3%	\$15.00	4.0%	\$15.14	1.0%	~
Commis Chef	\$14.68	\$15.11	2.9%	\$15.33	1.5%	\$15.29	-0.2%	\$15.92	4.0%	\$41,000
Counter Cook*	\$14.10	\$15.96	13.2%	\$14.82	-7.1%	\$15.41	0.4%	\$15.54	1.0%	\$31,000
DJ	\$36.27	\$46.69	28.7%	\$41.72	-10.6%	\$33.17	-20.0%	\$49.58	49.0%	~
Duty Manager	\$15.78	\$16.47	4.4%	\$16.29	-1.1%	\$16.96	4.0%	\$16.90	0%	\$36,077
Executive Chef	\$22.88	\$26.54	16.0%	\$27.08	2.0%	\$26.43	-2.0%	\$27.36	4.0%	\$65,400
F & B Manager	\$19.62	\$20.82	6.1%	\$20.97	0.7%	\$18.41	-12.0%	\$22.41	22.0%	\$57,143
Food to Go Assistant	\$12.61	\$14.49	14.9%	\$14.36	-0.9%	\$13.74	-4.0%	\$13.61	-1.0%	\$27,000
Front Office	\$15.63	\$14.87	-4.9%	\$16.03	7.8%	\$15.68	-2.0%	\$16.14	3.0%	\$35,695
Function Manager	\$19.79	\$18.41	-7.0%	\$19.65	6.7%	\$18.57	-5.0%	\$19.57	5.0%	\$47,375
Head Chef	\$20.42	\$21.84	7.0%	\$21.67	-0.8%	\$21.17	-2.0%	\$20.66	-2.0%	\$52,722
Head Waiter Maitre D	\$15.89	\$16.59	4.4%	\$16.91	1.9%	\$17.38	3.0%	\$17.44	0%	\$38,529
Host/Hostess	\$15.04	\$15.87	5.5%	\$15.02	-5.4%	\$16.37	9.0%	\$15.36	-6.0%	\$32,333
Housekeeper	\$14.01	\$14.82	5.8%	\$15.10	1.9%	\$15.71	4.0%	\$14.87	-5.0%	\$40,083
Junior Cook*	\$13.03	\$14.30	9.7%	\$14.50	1.4%	\$14.90	3.0%	\$14.97	1.0%	\$30,200
Kitchen Hand	\$12.40	\$13.00	4.8%	\$13.35	2.7%	\$13.73	3.0%	\$14.12	3.0%	\$38,529
Office Manager	\$18.80	\$20.05	6.6%	\$20.83	3.9%	\$21.03	1.0%	\$20.90	-1.0%	\$45,000
Owner / Operator	\$21.77	\$26.04	19.6%	\$21.24	-18.4%	\$23.95	13.0%			\$52,304
Pastry Chef	\$17.02	\$17.40	2.2%	\$17.56	0.9%	\$17.36	-1.1%	\$17.87	3.0%	\$42,400
Restaurant Manager	\$17.55	\$19.40	10.5%	\$18.19	-6.2%	\$19.31	6.2%	\$19.33	0%	\$48,273
Room Attendant	\$13.01	\$13.45	3.4%	\$13.59	1.0%	\$14.02	3.2%	\$14.52	4.0%	\$23,000
Security/Door Staff	\$16.33	\$18.61	14.0%	\$19.19	3.1%	\$18.31	-5.0%	\$20.77	13.0%	~
Senior Cook*	\$16.51	\$16.85	2.1%	\$16.59	-1.5%	\$17.07	3.0%	\$17.86	5.0%	\$39,941
Sole Kitchen Operator* (Quals)	\$14.85	\$16.25	9.4%	\$16.20	-0.3%	\$15.99	-1.3%	\$16.47	3.0%	\$38,750
Sous Chef	\$17.32	\$18.72	8.1%	\$18.94	1.2%	\$19.31	2.0%	\$18.63	-4.0%	\$41,818
Student / Apprentice	\$11.41	\$13.25	16.1%	\$13.44	1.4%	\$13.61	1.3%	\$13.59	0%	\$25,500
Wait Staff	\$13.00	\$13.94	7.2%	\$14.15	1.5%	\$14.31	1.1%	\$14.50	1.0%	\$29,588
Wine Waiter	\$14.55	\$15.52	6.7%	\$15.04	-3.1%	\$15.24	1.3%	\$16.46	8.0%	\$34,000

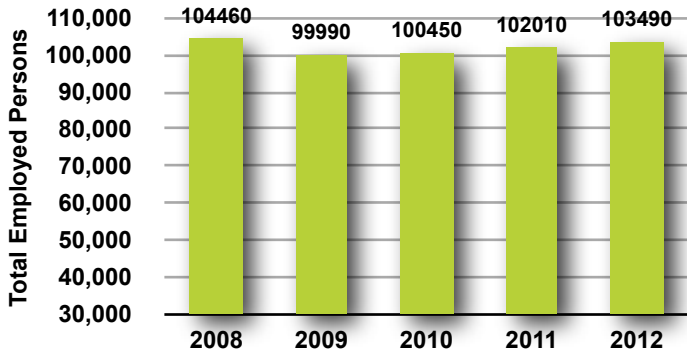
* No Qualifications

Source: Restaurant Association of New Zealand

HOSPITALITY EMPLOYMENT GROWTH

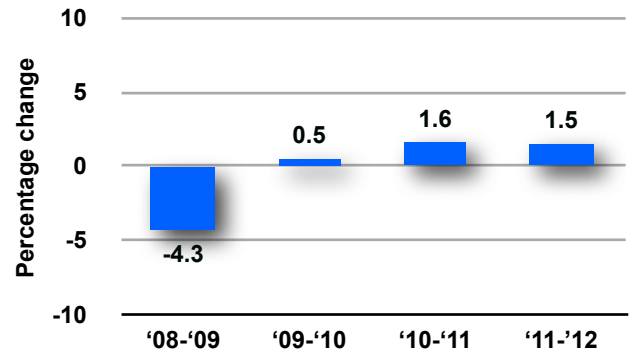
NATIONAL: 2008-2012

National Figures



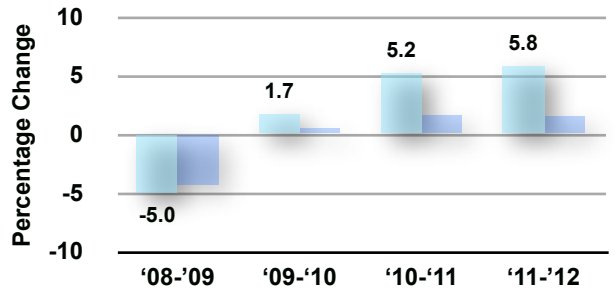
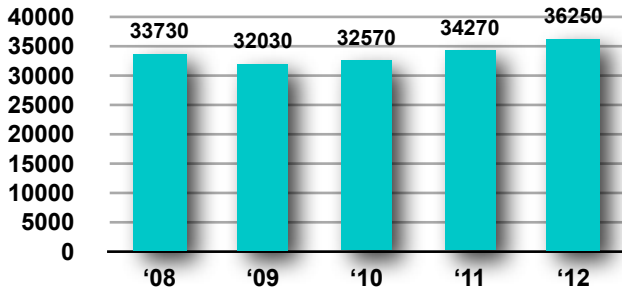
SOURCE: STATISTICS NEW ZEALAND

National Annual Employment Growth

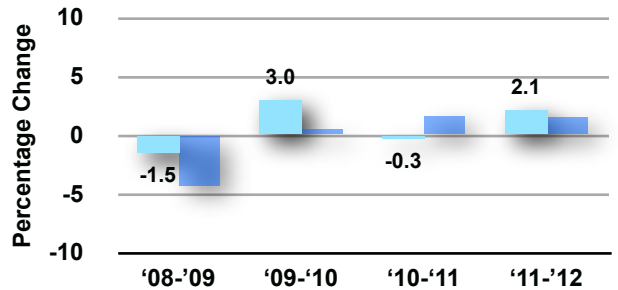
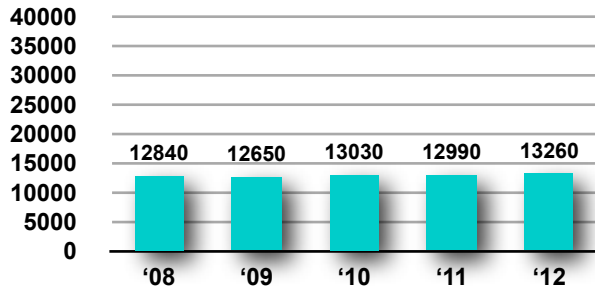


REGIONAL: 2008-2012

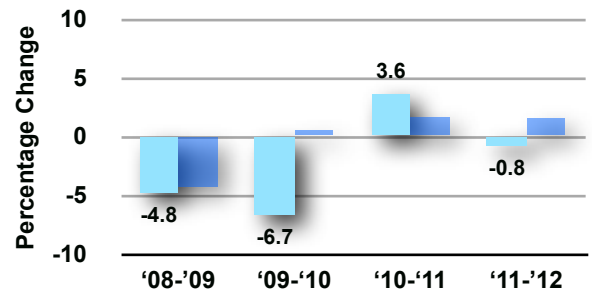
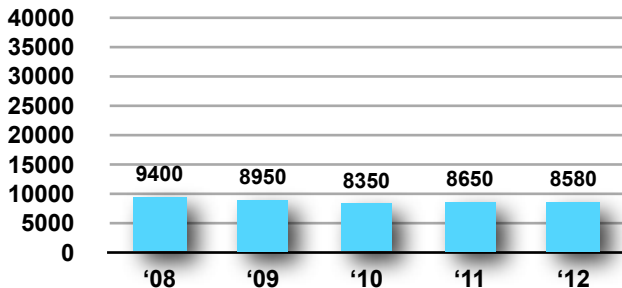
AUCKLAND



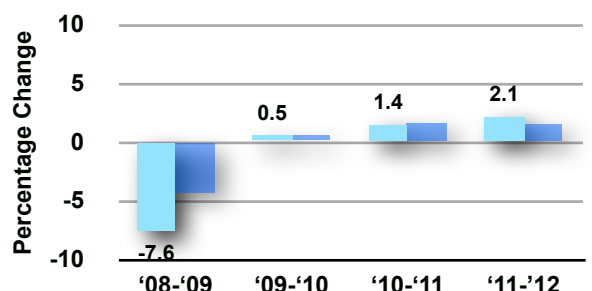
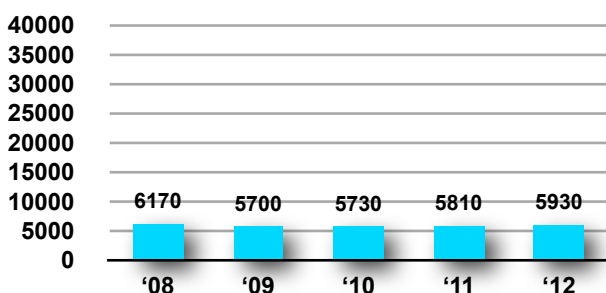
WELLINGTON



WAIKATO



BAY OF PLENTY



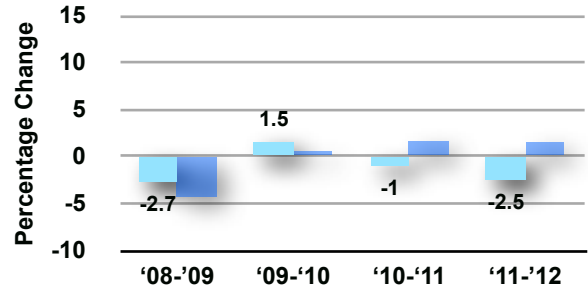
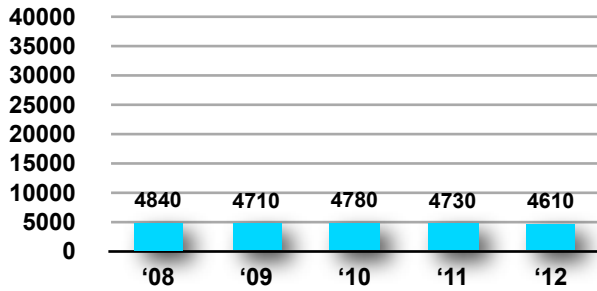
HOSPITALITY EMPLOYMENT GROWTH

NATIONAL: 2008-2012

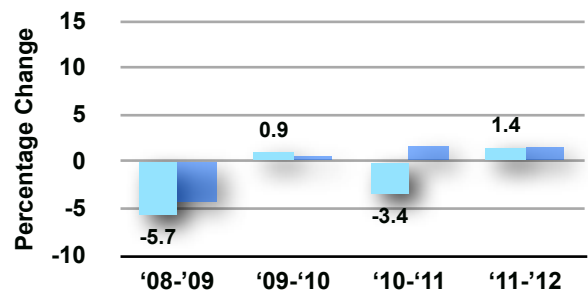
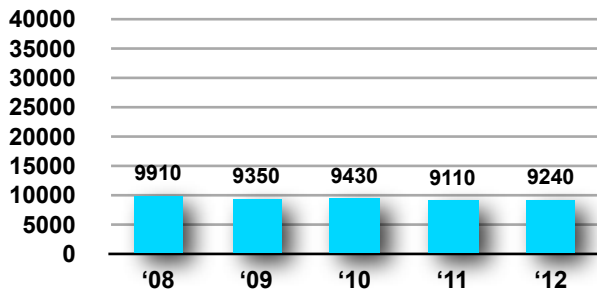
REGIONAL FIGURES: EMPLOYMENT

SOURCE: Statistics New Zealand

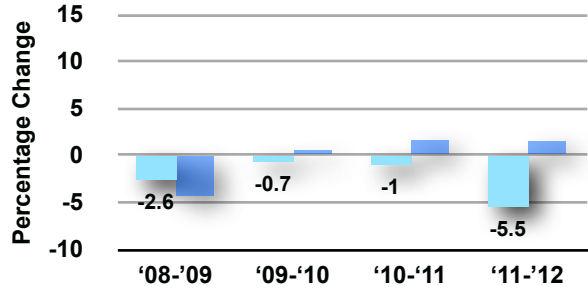
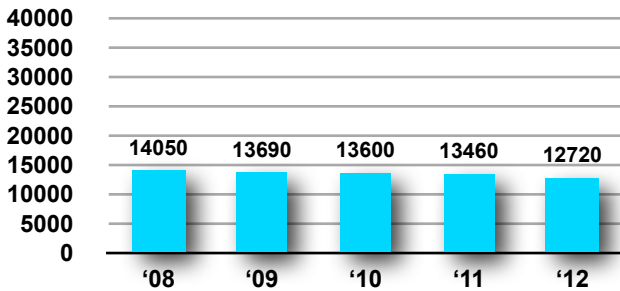
MANAWATU-WANGANUI



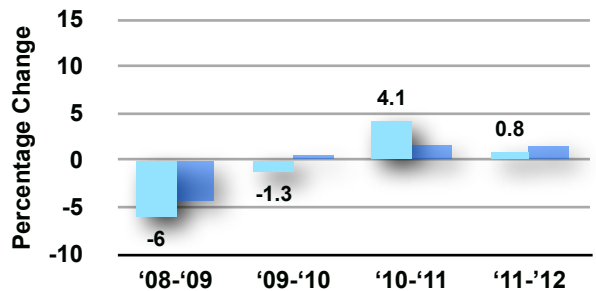
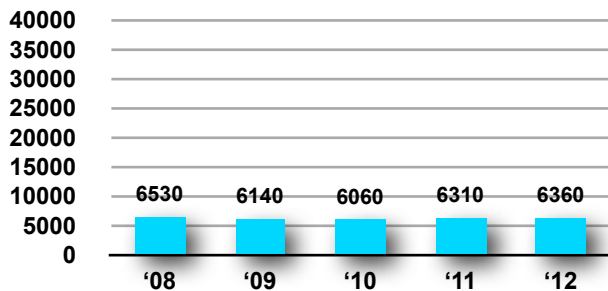
REST OF NORTH ISLAND



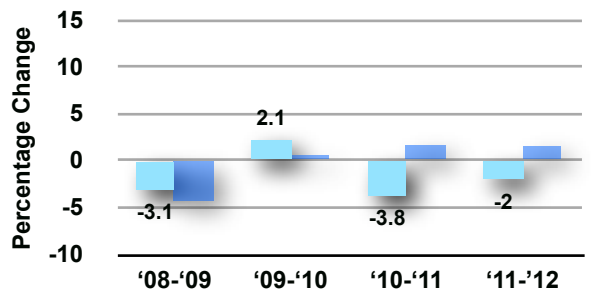
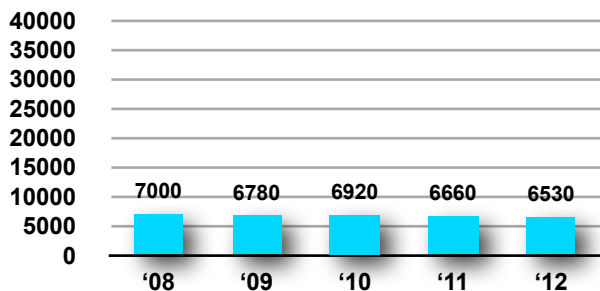
CANTERBURY



OTAGO



REST OF SOUTH ISLAND



EMPLOYEE PRODUCTIVITY

Measuring workforce productivity is a subjective matter, especially in hospitality; can one staff member be considered less productive than another based solely on sales?

This report therefore simplifies productivity measurement to purely financial terms but rationalises that soft-skills and service standards should be considered within your own business' judgement of overall productivity.

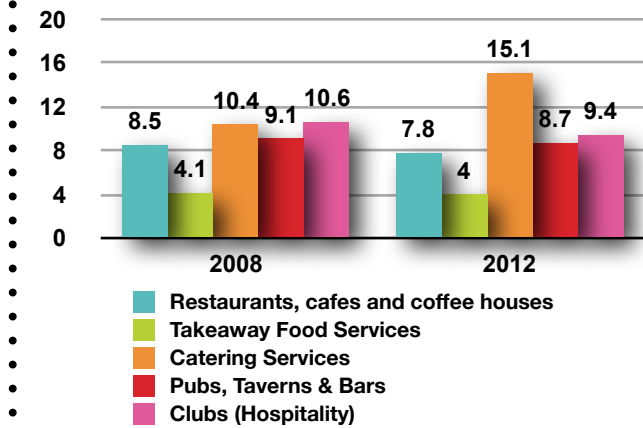
Therefore the aim of this information is to guide restaurateurs towards goals and targets in the operation of their business that are based on national and regional averages. These averages serve as guides only.

This section suggests that more consideration may be required before employing or retrenching staff in order to ensure sales reflect an appropriate return on investment for each employee hired.



STAFFING LEVELS

EMPLOYEES BY OUTLET TYPE



This snapshot above indicates nationally, the average number of employees within the different sectors of the food industry. A comparison between 2008 and 2012 staffing levels is given.

For all sectors (2008/2012), the average number of employees has reduced slightly, except catering services.

Catering services noted a 45 percent increase of staff per outlet during this period. This has been driven in large part by a decline in the number of catering outlets, which have decreased from 888 in 2008, to 773 in 2012.

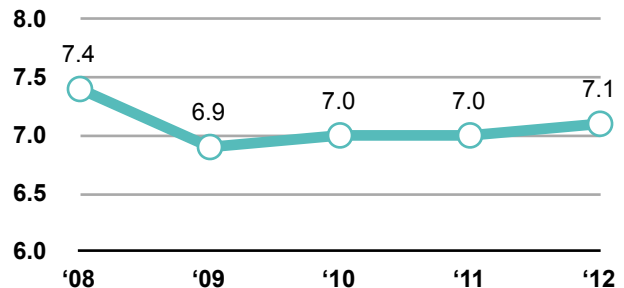
The line graph below notes that the average number of employees per hospitality business equals 7. This number decreased from 2008 to 2009 but has since been slowly rising. This figure is also given in the regional analysis following on the following pages.

While this figure alone does not take into consideration things like the cover numbers or the style of the operation, when paired with the analysis of per outlet spend, these averages guide targets regardless of size or establishment type.

This report notes productivity in financial terms. To achieve this the authors divided turnover by the (average) number of employees. National average annual sales per outlet in 2012 was \$479,627, with an average of 7 employees needed to achieve this. (Readers can modify this calculation to suit specific operations.)

Throughout the regional sections on the pages following, the national average line will be indicated (in watermark) for quick comparison.

AVERAGE EMPLOYEES PER OUTLET: NATIONAL FIGURES



Source: Restaurant Association of New Zealand, Statistics New Zealand

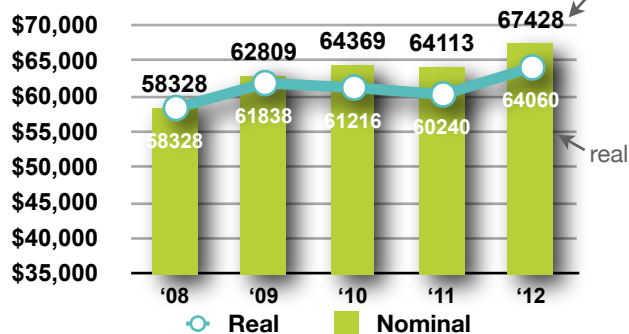
SALES PRODUCTIVITY

The sales per pay-roll employee graph, shown right, indicates the total sales burden per employee (irrespective of position).

The figures shown include nominal values (black font at top of the graph) and real values (white font under the blue line).

The blue line is currency adjusted, allowing for better year to year comparison. This has further been broken down for outlet specific guides, located in the bottom half of this page.

SALES PER PAY-ROLLED EMPLOYEE - NATIONAL AVERAGE

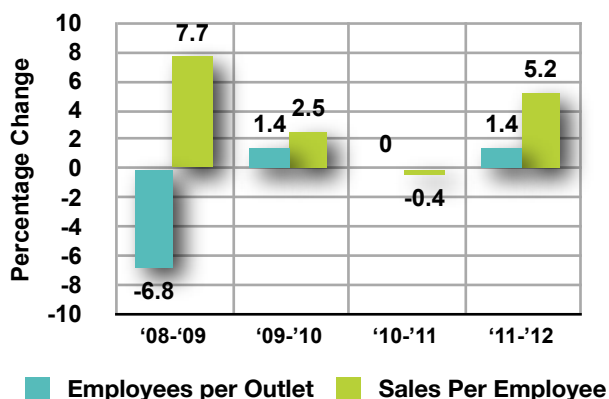


From a position of staff productivity, 2012 realised higher than ever (per) staff member sales performance in both nominal and real terms.

Of note, from 2008 - 2009 there was a notable decrease in the number of employees per outlet (-6.8%), with a corresponding increase in sales per employee of 7.7%. In more recent years however sales per employee growth has been more muted until 2012. An increase in the number of employees per outlet of 1.4% saw an increase in sales per employee of 5.2% in 2011 - 2012.

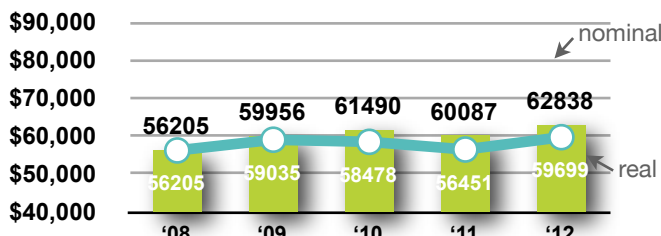
Labour costs continue to be challenging for business owners who list this as their main concern in 2013. It is expected that as a result there will be a focus on managing their businesses more efficiently, with less labour force, until more buoyant times return.

GROWTH IN EMPLOYEES PER OUTLET VS SALES PER EMPLOYEE

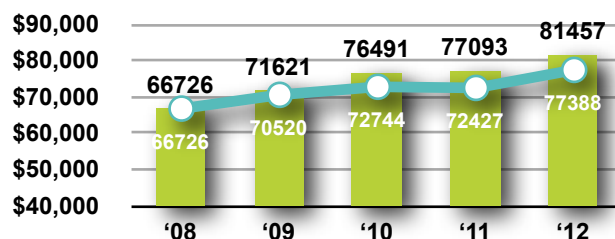


SALES PER PAY-ROLLED EMPLOYEE - BY OUTLET

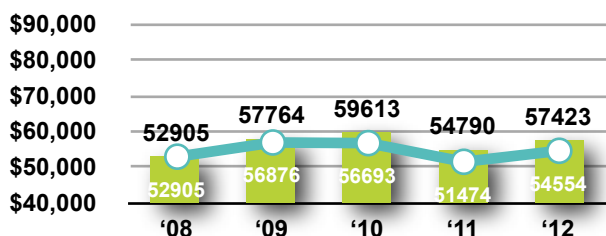
RESTAURANTS, CAFES & COFFEE HOUSES



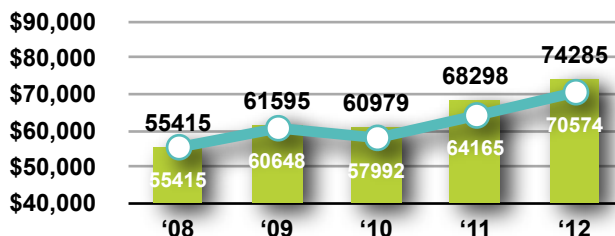
TAKEAWAY SERVICES



CATERING SERVICES



PUBS, TAVERNS & BARS

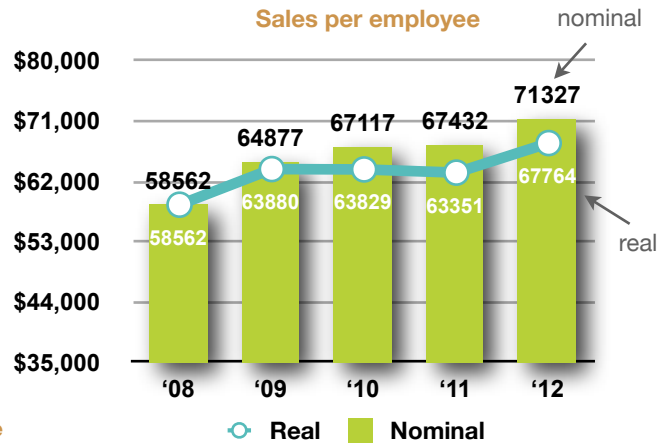
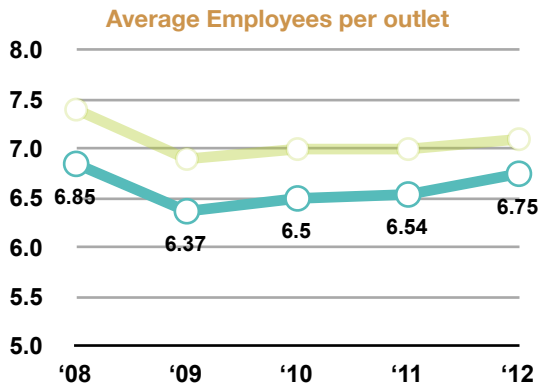


Analysis of the different sectors in the hospitality industry shows some variance in "productivity" - based on average sales per employee.

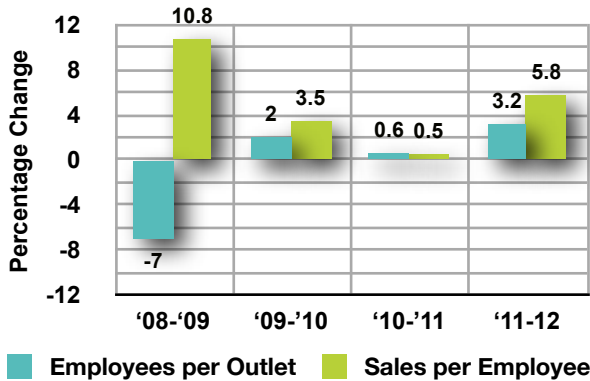
Over the five years (2008 - 2012), sales per employee for restaurants, cafes and coffee houses have remained relatively stable. When offset against inflation, this sector's sales have remained under the \$60,000 per employee mark. That sector, along with catering services, have not seen the steady increase in productivity that takeaway services and pubs, taverns and bars have experienced. Takeaway services remains the most productive sector of the hospitality industry. In 2012, the average sales per employee in this sector reached \$81,457 in real terms. By contrast, the catering sector is the least productive sector, with sales per employee in 2012 sitting at just \$57,423. This sector had an increase in employees of 45% from 2008-2012 as seen on the previous page, but only a 36% increase in industry sales over this period.

SALES PRODUCTIVITY

AUCKLAND

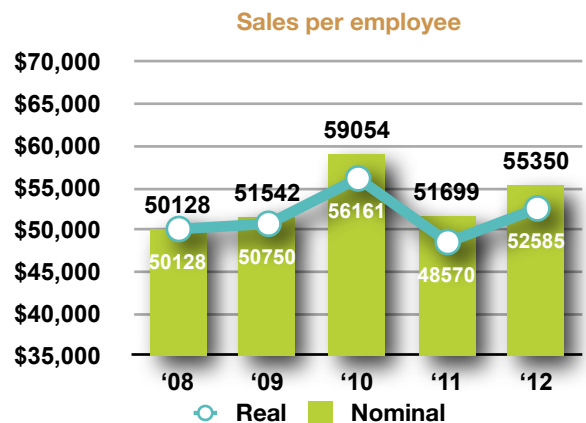
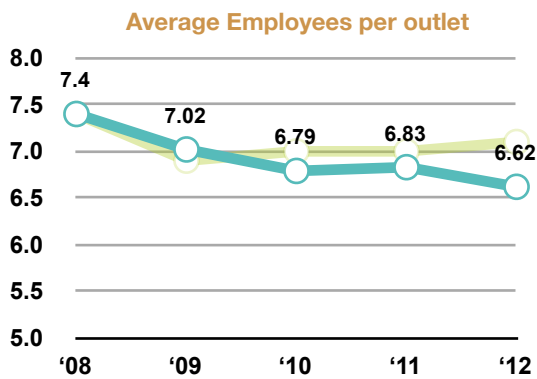


Growth in Employees per outlet Vs. Sales per employee

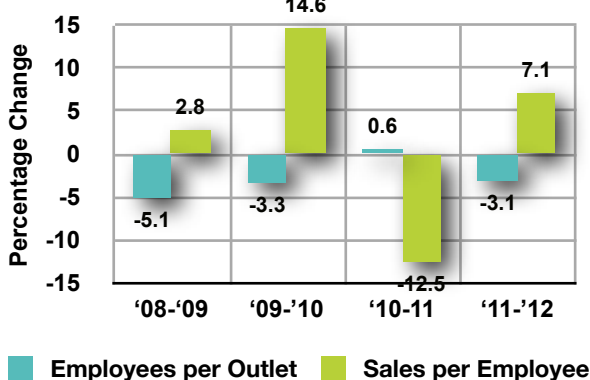


With 32% of the hospitality industry's sales occurring in the Auckland region, this territory also has one of the most productive workforces. In 2012, the average number of employees per outlet was 6.75, the second lowest in the country after the Waikato region (6.62). The average sales per employee, at \$71,327, is 5.8% higher than the national average. Of note is the 7% drop in employees per outlet in 2009, which realised a 10.8% increase in sales per employee. Over this same period sales for the Auckland region increased 5.2%. Another 18.3% increase in sales from 2010-2012, matched by only a slight increase in the number of employees, means that Auckland experienced growth in sales per employee by another 6.3%.

WAIKATO



Growth in Employees per outlet Vs. Sales per employee

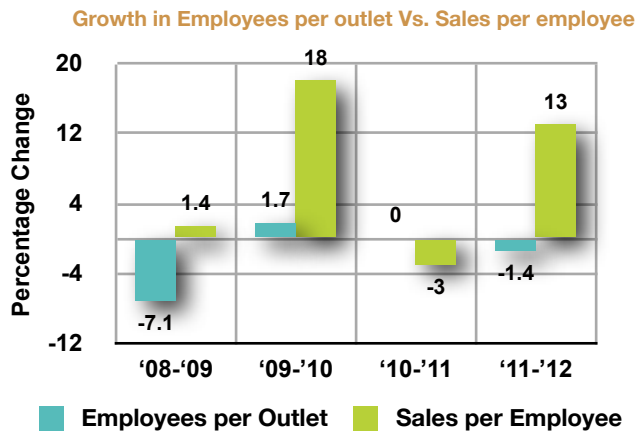
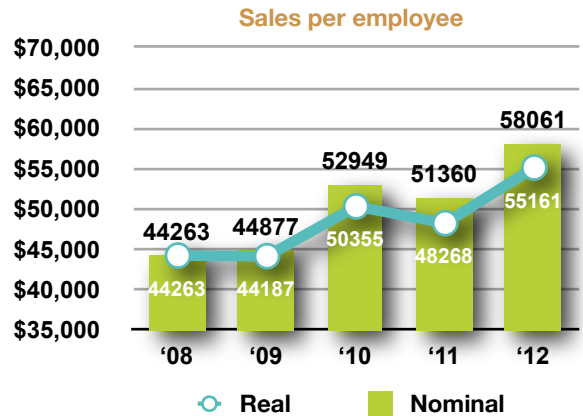
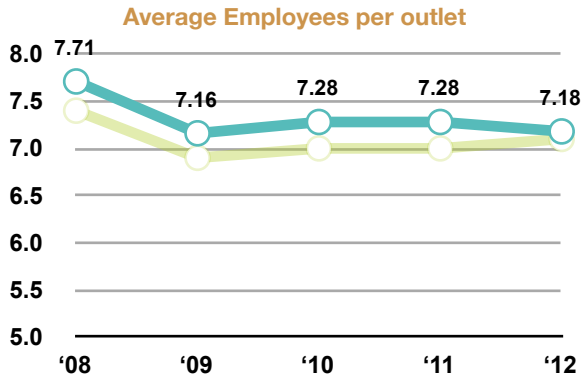


While the Waikato region has experienced an increase in sales per employee over the last five years of 10.4%, it is still the least productive region in the country. With average sales of \$53,555 per employee over the last five years, this is 18.4% below the national average.

The region reached a peak in sales per employee in 2010, followed disappointingly with a 12.5% drop in 2011. This was impacted by a 9.3% reduction in industry sales for the Waikato region for the period 2010-2011. The outlook going forward is improving, however, with a 7.1% increase in sales per employee to \$55,350 in 2012.

SALES PRODUCTIVITY

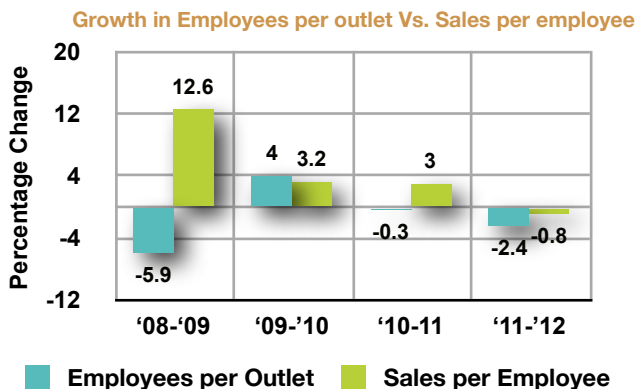
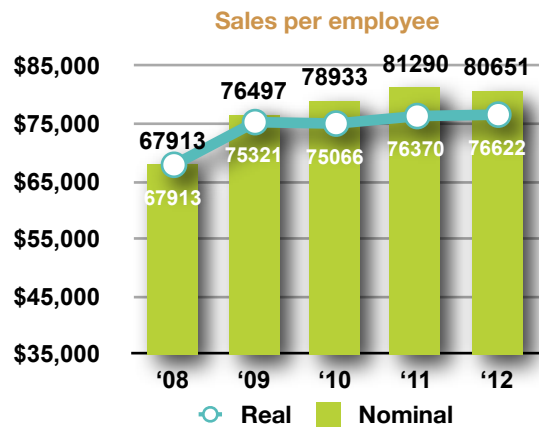
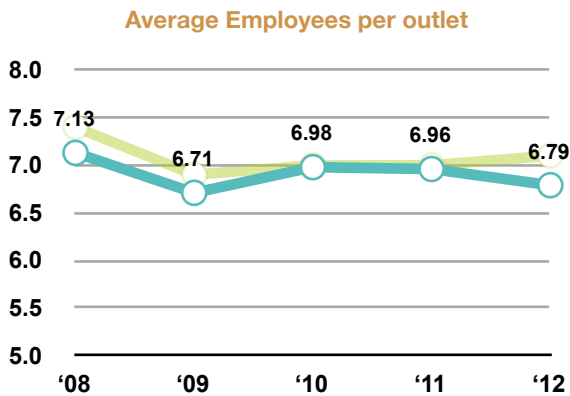
BAY OF PLENTY



Until 2011, the Bay of Plenty region was the least productive region in the country and had the lowest sales revenue per employee in the country. This is regardless of the fact that between 2009 and 2010 the region recorded the highest relative increase in sales per employee at 18%, a *minimal increase* in the number of employees, a *decrease* in the number of outlets and a significant 19% increase in industry sales. However, in the last year the region's sales per employee increased by 13.0% to \$58,062 and, thereby, has over taken the Waikato region.

A reduction in the average number of employees per outlet (which is currently 7.18), has assisted the region to grow employee productivity.

MANAWATU/WANGANUI



With a sales per employee figure in 2012 which is 19.6% higher than the national average, this region has the most productive workforce in the country.

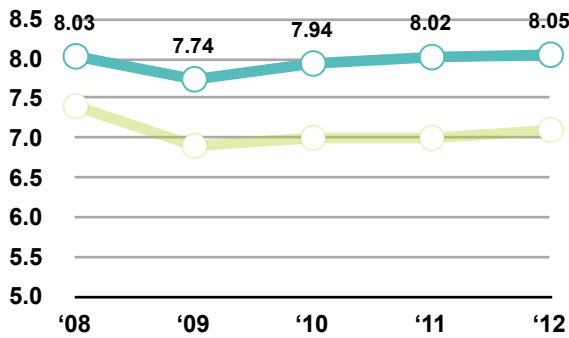
Although the region's sales per employee dropped slightly by 0.8% in the last year in nominal terms, going from 81,290 in 2011 to 80,651 in 2012, it is still the fastest growing region in the country in terms of sales revenue per employee. Growth over this period was 18.8%.

The region also benefits from a relatively high average spend per capita - in 2012 this reached \$1,599.

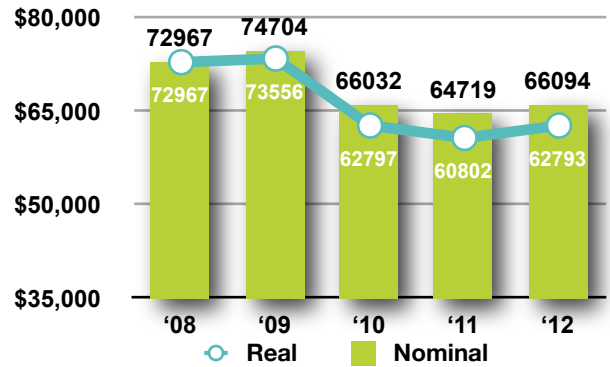
SALES PRODUCTIVITY

WELLINGTON

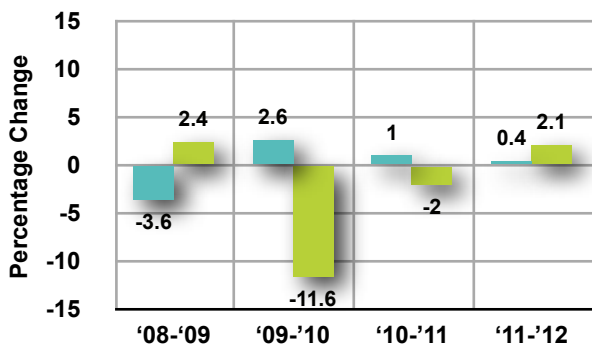
Average Employees per outlet



Sales per employee



Growth in Employees per outlet Vs. Sales per employee



■ Employees per Outlet ■ Sales per Employee

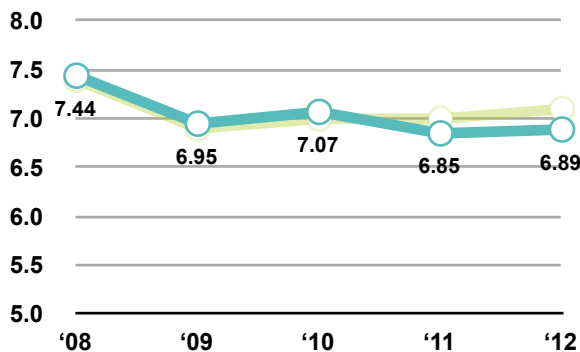
The Wellington region's percentage market share is significant because 12.6% of the industry's sales are from this region. However, Wellington has been subjected to a difficult three years, with a decrease in sales per employee of 13.4% from 2009-2011 and only a slight increase of 2.1% in 2012.

This drop in sales per employee has had an inverse relationship with the average employees per outlet which has been increasing gradually since 2009 to 8.05 - the highest in the country.

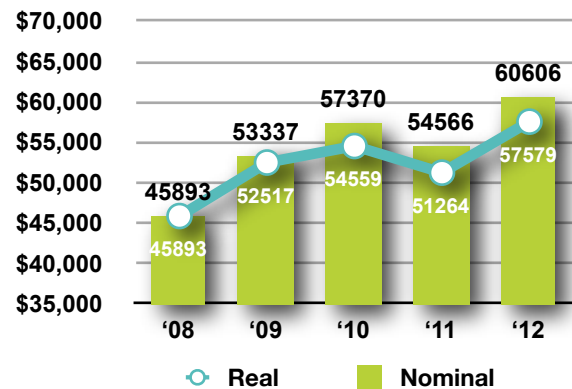
A reduction in the number of employees would assist the region to return to the levels of productivity it had enjoyed in the early to mid 2000's.

REST OF THE NORTH ISLAND

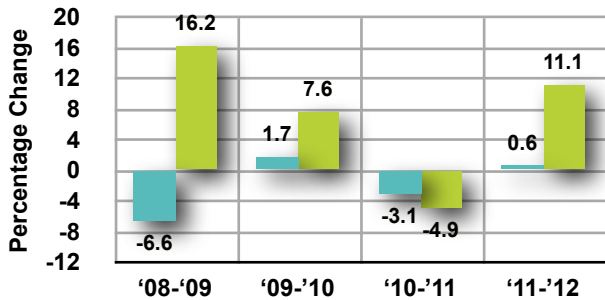
Average Employees per outlet



Sales per employee



Growth in Employees per outlet Vs. Sales per employee



■ Employees per Outlet ■ Sales per Employee

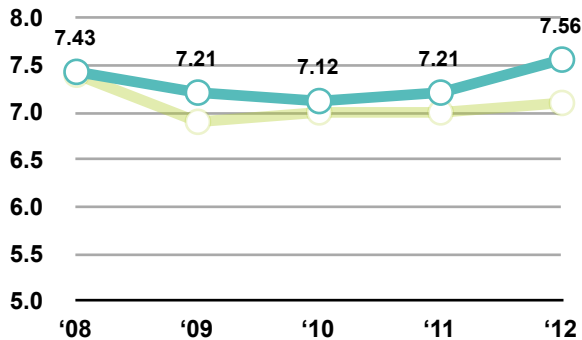
Although still one of the lower performing regions in New Zealand, the "rest of the North Island" has made some significant gains in employee productivity in the last 5 years of 32.1%. Following a decline in 2011, employee productivity then reached a 5 year high in 2012 with sales per employee hitting \$60,606.

These gains have been assisted by a steady decline in the average number of employees per outlet over this period, which diminished from a 7.4 peak in 2008, to 6.9 in 2012.

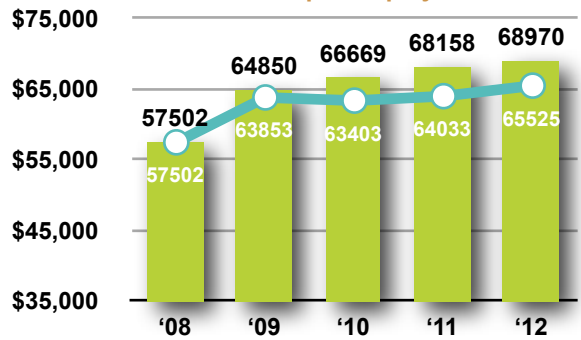
SALES PRODUCTIVITY

CANTERBURY

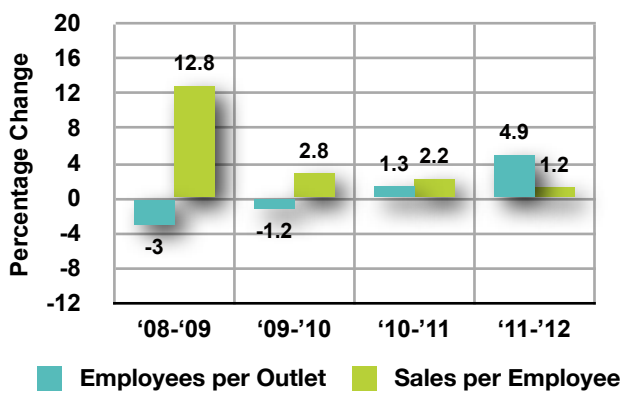
Average Employees per outlet



Sales per employee



Growth in Employees per outlet Vs. Sales per employee

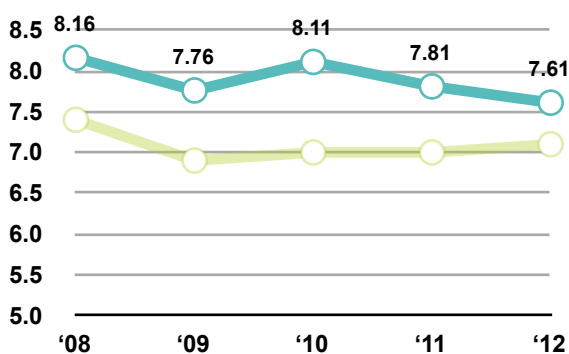


Despite the devastating upheavals experienced by the Canterbury region from the end of 2010 onwards, the region has recorded a steady increase in sales per employee over the past 5 years, increasing 19.9% from \$57,502 to \$68,970. This surpasses the national average by 2.3%. In terms of market share Canterbury is exactly the same as Wellington (12.6%).

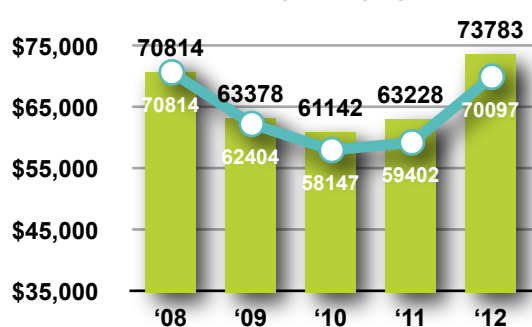
The decline in the labour force as a result of the region's earthquakes has not affected the average employee numbers per outlet, which has been on the increase since 2010. Rising to 7.56 employees in 2012, the Canterbury figure is currently 6.5% higher than the national average.

REST OF THE SOUTH ISLAND

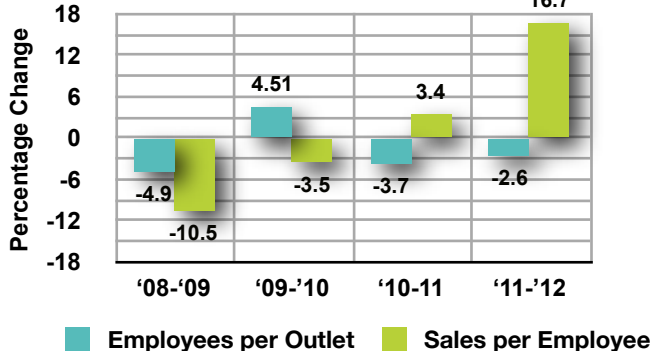
Average Employees per outlet



Sales per employee



Growth in Employees per outlet Vs. Sales per employee

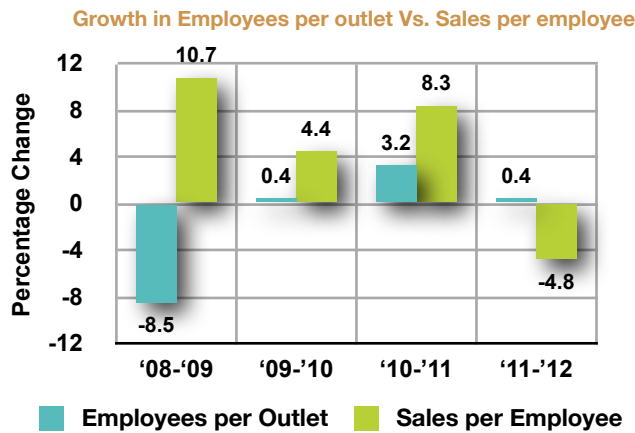
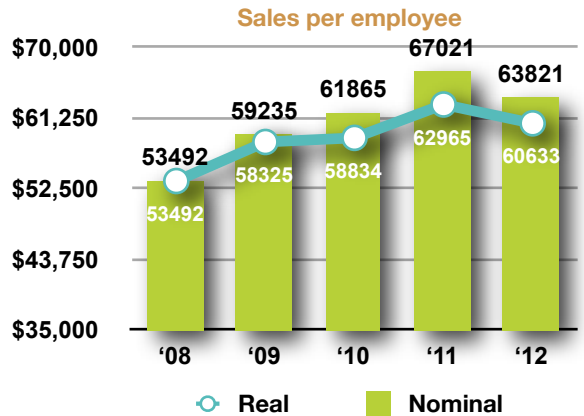
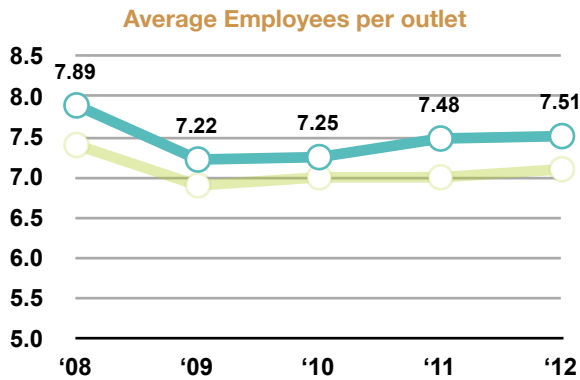


Although the "rest of the South Island" struggled in 2009 and 2010 with a 13.7% decrease over these years relative to 2008, productivity increased by 3.4% in 2011 and further increased 16.7% in 2012 to reach a 5 year high of \$73,783 - 9.4% higher than the national average.

This rise has been inversely correlated to a drop in average employees per outlet over these two years of 6.2% - from 8.11 to 7.61.

SALES PRODUCTIVITY

OTAGO



In 2011, when many regions in New Zealand suffered from a decline in industry sales, the Otago region experienced growth of 12.8%. This assisted the area to reach its peak level of per employee productivity of \$67,021 in 2011, 4.5% above the national average. However, in the last year productivity in the region decreased by 4.7% and is now 5.3% lower than the national average.

Of note, the region has the highest average per capita hospitality spend (\$1,921 in 2012). However, with an increasing above average number of employees per outlet, at 7.51, staffing levels will need to be closely monitored and maintained in coming years to ensure growth in sales per employee increases again.





CONSUMER INSIGHTS

CONSUMER INSIGHTS

Remuneration,
Productivity &
Labour Pool
indicators



QUALITY OVER QUANTITY

The latest in a series of consumer surveys by American Express indicates that 56 per cent of New Zealanders still dine out at least once a month despite the challenging economic conditions.

The third of these annual surveys conducted at the end of 2012 shows that ninety-three per cent of people still enjoy dining out but frequency has declined slightly; in particular the number of people dining out once a week has dropped by 10 per cent compared to the year previous (from 23 per cent in 2011 to 13 per cent in 2012).

Wellingtonians dine out more frequently - 27 per cent claim to eat out at least once a week, followed by Aucklanders (22 per cent).

While fifty five per cent of consumers say they have not curbed their dining habits, thirty per cent are eating out less frequently and a further twelve per cent are eating at less expensive places. Essentially people are choosing restaurants and dining venues that are right for their current situation but there is still an emphasis on quality food - this came out as the key consideration for consumers when eating out.

When making decisions about where to eat, the key factors for consumers are:

- Quality food (50 per cent say quality food is very important);

- Affordable menu (45 per cent);
- Excellent service (39 per cent);
- Good atmosphere (32 per cent); and
- Convenient location (25 per cent).

Diners from the central North Island (Hawke's Bay, Taranaki, Manawatu and Wanganui) are frequenting restaurants less often (38 per cent compared to the national average of 56 per cent), however, their expectations tend to be higher. There was a strong emphasis on customer service in these regions - 51 per cent of respondents saying excellent customer service was very important (12 per cent higher than the national average).

Bucking the national trend, price was the key factor for central North Island diners as 62 per cent of respondents said an affordable menu was very important (17 per cent higher than the national average).

Serving quality food that diners enjoy eating and providing great customer service is of the utmost importance, so restaurant operators need to continue to be creative, nimble and respond to the market for them to entice customers and maintain good health despite challenging market conditions.

CONSUMER SPENDING

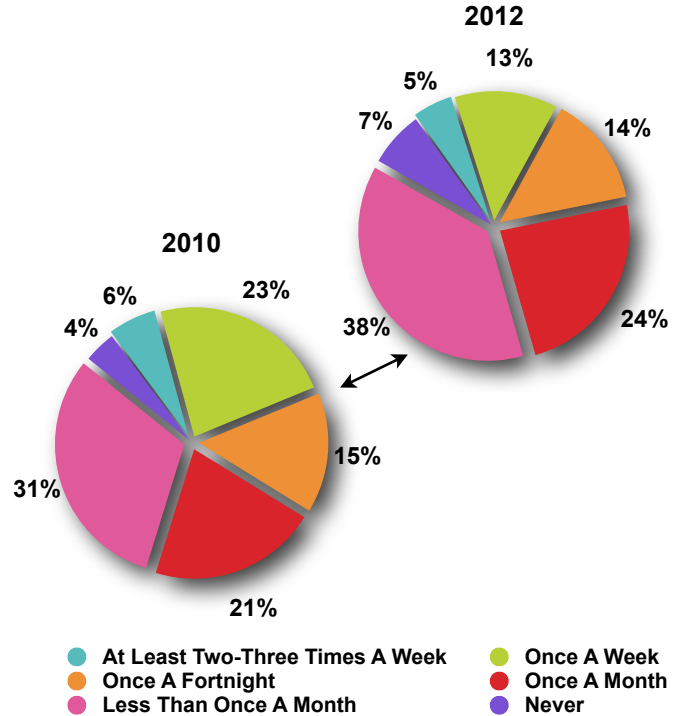
Changes to dining habits

Results of the latest American Express consumer survey series indicates that overall, 55 per cent of New Zealanders claim that their dining habits have not changed over the 6 months previous. However, the continuing unstable economic climate is having an impact on consumers dining out habits; 30 per cent state that they eat out less frequently now and 12 per cent say that they are choosing to eat at less expensive establishments.

The results analyse the consumers frequency of eating out, with 5 per cent claiming to eat out at least 2-3 times a week while only 13 per cent say they eat out at least once a week - a significant decrease from 23 per cent in 2011.

On average 14 per cent eat out once a fortnight, 24 per cent once a month and 38 per cent less than once a month, an increase of 7 per cent since 2011. 7 per cent claim that they never eat out, a rise of 3 per cent since 2011.

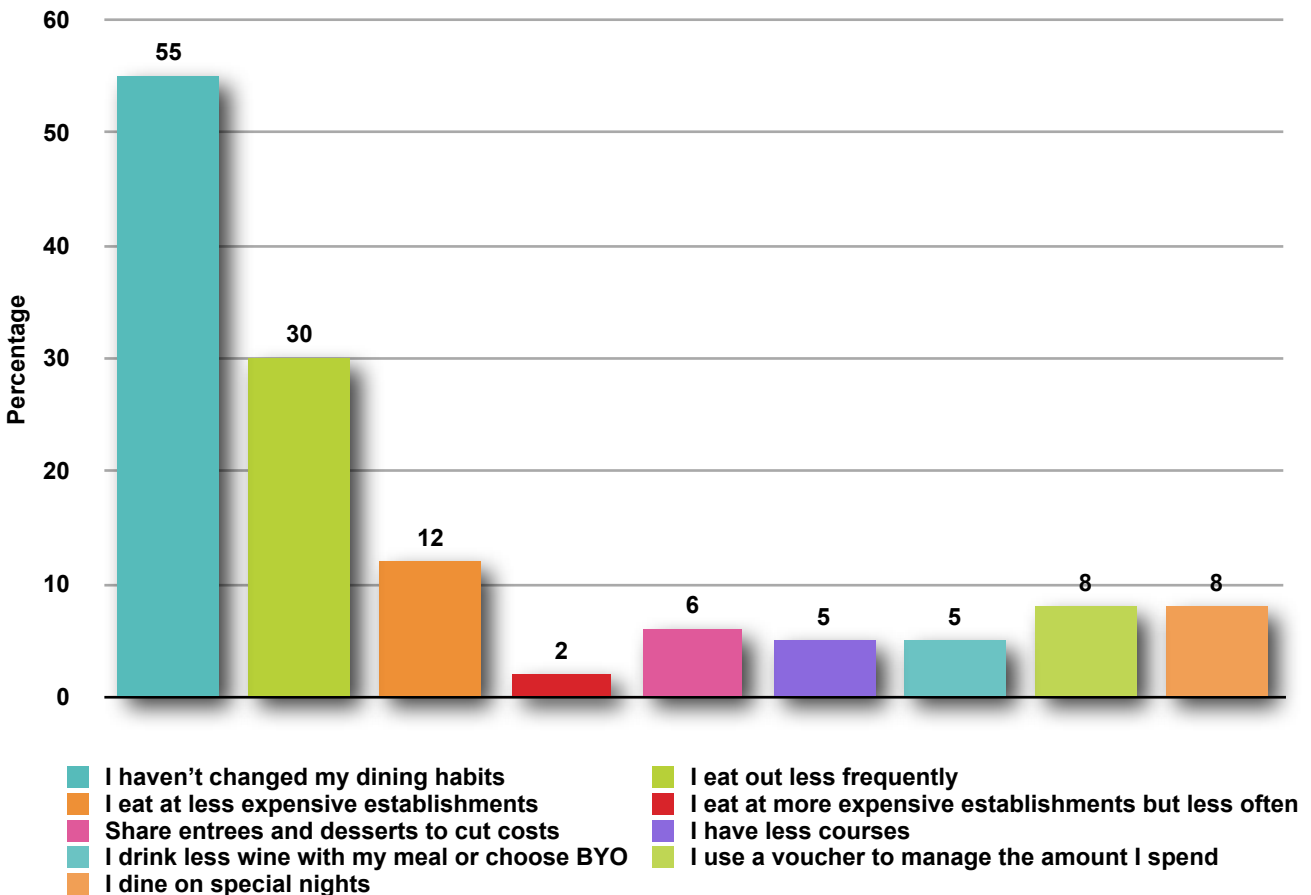
FREQUENCY OF EATING OUT:



SOURCE: American Express Consumer Insights Survey

CHANGES TO DINING HABITS:

Have your dining habits changed over the past 6 months?



CONSUMER SPENDING

Dining influencers

When choosing a place to dine, the greatest influencer for consumers is whether the establishment 'has a reputation for quality food'. Overall, 50 per cent scored this as very important, up 3 per cent since 2011.

Having an affordable menu also rates highly (45 per cent) as an attribute influencing dining choice even though this has dropped 6 per cent over the year previous.

Following from this, service was rated important at 42 per cent.

While surcharges on public holidays continues to raise hot debate amongst the industry and the media, consumers are less concerned. Choosing a place to dine based on whether they apply a surcharge or not dropped 6 per cent from the year previous, to 31 per cent.

Young New Zealanders (18-29 years) are more likely to rate 'has an affordable menu' and 'offering a discount on the bill' as important while 'doesn't surcharge on a public holiday' and 'has a good atmosphere' were rated as less important by this group.

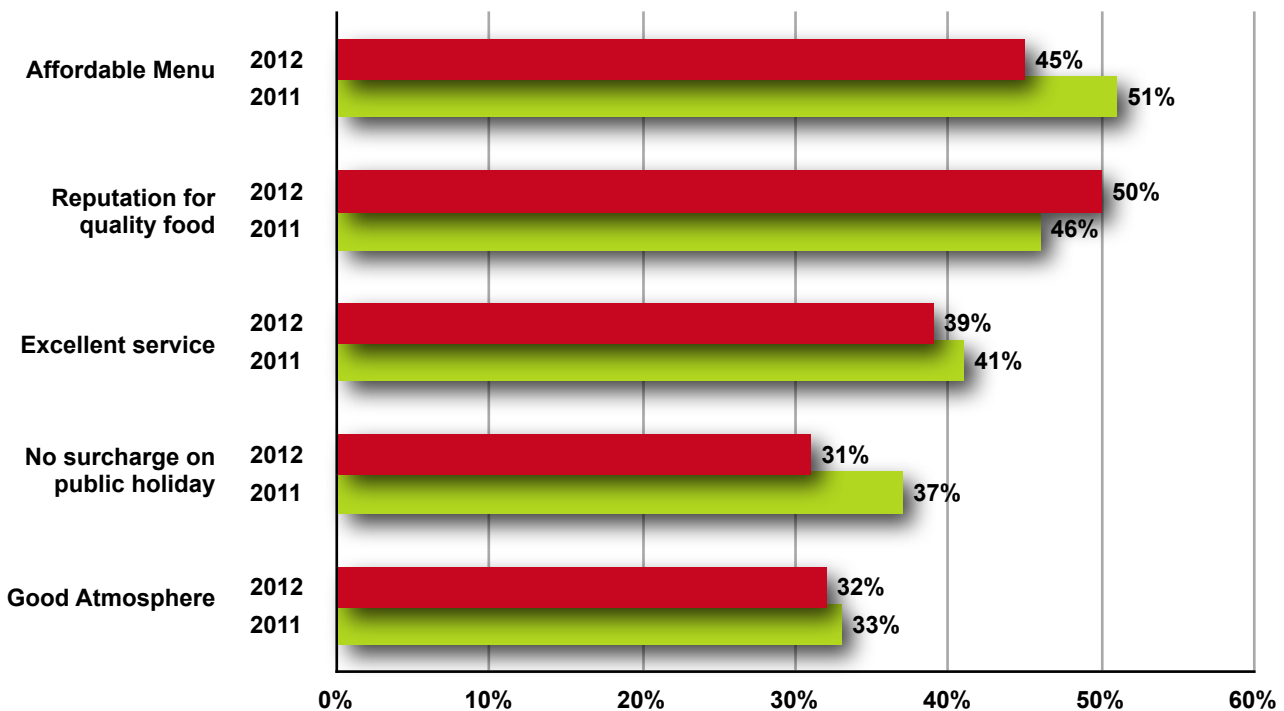
REGIONAL SPOTLIGHT:

- **Wellingtonians** dine out more frequently - 27% claim to eat out at least once a week, followed by **Aucklanders** (22%).
- **Wellingtonians** and young people are more likely users of daily deal offers.
- **Wellingtonians** and young people are more likely to have used social media or other online methods to rate their dining experience.
- 51 per cent of respondents from the **Central North Island** say excellent customer service was important to them and 62 per cent from this region indicate an affordable menu was key.



INFLUENCING DINING CHOICES:

When choosing a place to dine, how important are each of the following to you?



SOURCE: American Express Consumer Insights Survey

GOOD NEWS TRAVELS FAST BAD NEWS TRAVELS FASTER

Kiwis rate negative dining experiences on social media within hours

According to the American Express Dining surveys, a third (35%) of Kiwis who use social media to rate their dining experiences, will post a negative review within hours of the meal – while another 27% will post a bad review immediately.

Traditionally if consumers experienced an unpleasant dining experience, word of mouth meant they would tell at least ten other people. Now we have social media. While it is only just beginning to be used as a channel to rate dining experience, diners are going online to vent their frustration; which means bad news now travels faster than ever before, and to a much bigger audience.

Results also found that Wellingtonians are the most likely to use online media to rate a negative experience, with over half stating they would post a bad review.

However, Kiwis who use social media to rate their dining experiences are more likely to use social media to rate a good dining experience (56%) than bad (32%). Unfortunately for the hospitality industry, these happy diners don't go online as quickly to talk about their experience as those keen to vent about a bad meal.

The survey found people who dine out the most frequently – once a week or more - are the most influenced by online reviews when they choose their next dining destination.

HOW BUSINESSES CAN RESPOND TO THESE KEY FINDINGS:

Restaurants can use these insights to ensure they maintain their reputation online. Be mindful of what is being said about you online, especially as your most frequent customer base – and therefore arguably the most valuable – seems to be the most influenced by online reviews.

Create a presence – if you aren't online, then you don't have a voice. Take control of your reputation by creating a Facebook page and a Twitter account. Give the responsibility for tweeting or posting to someone trusted, or even better, keep this responsibility with yourself.

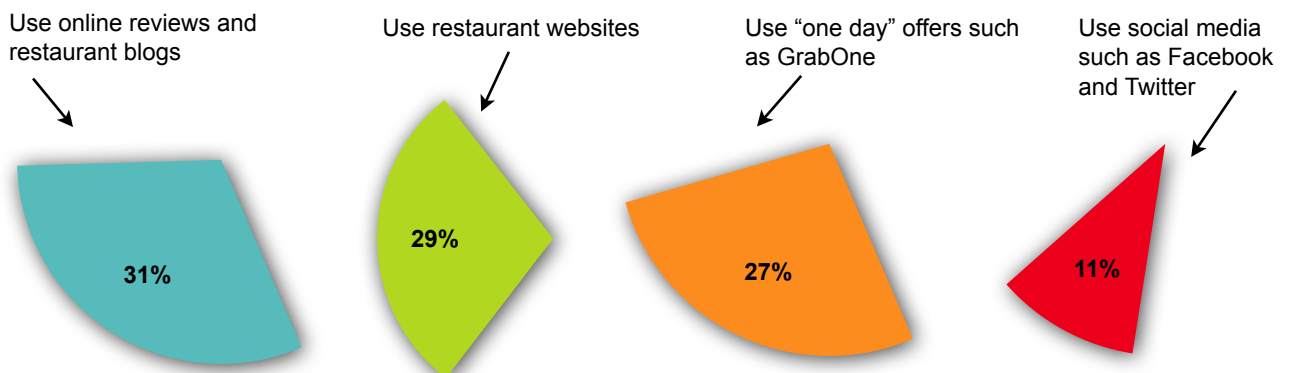
Have a strong voice – always respond constructively to any online criticism. If you don't respond to reviews, then customers will become frustrated that no one is listening and it will ultimately turn them off.

Be quick – if you are going to respond to a review, then do it as quickly as possible. It never looks good if a negative review has been sitting on a site for weeks, ignored by the restaurant. This is how issues which could have been nipped in the bud, get out of control and go viral.

Remember it's a two way process – online discussions are just that – a discussion. It is meant to be a two way process with questions and answers posed by both the restaurant and the customer, so never preach or simply post statements. It's the online equivalent of talking at someone, rather than listening then engaging in a normal conversation.

CONSUMERS WERE ASKED:

'Which of the following sources, if any, do you use to find places to eat out'





SALES ANALYSIS

SALES GROWTH

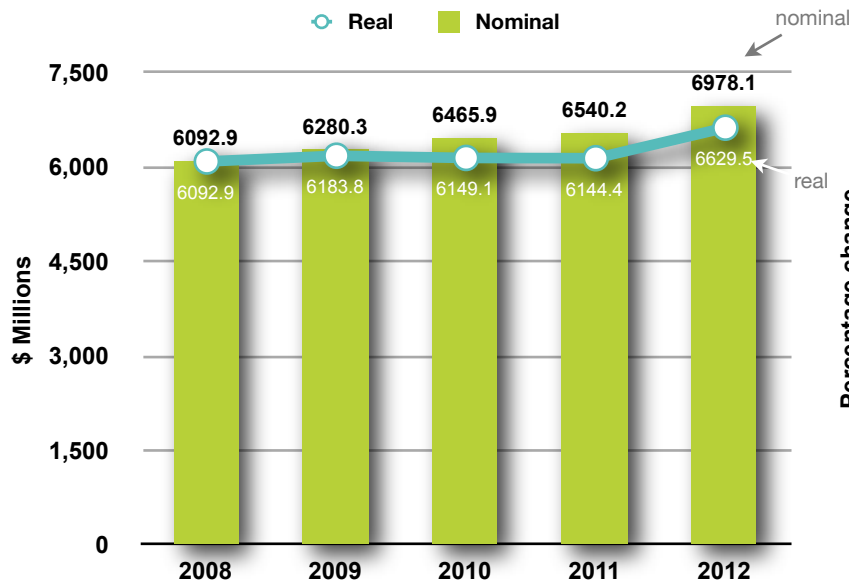
SALES GROWTH

Sales Growth & Outlet Revenue Distribution

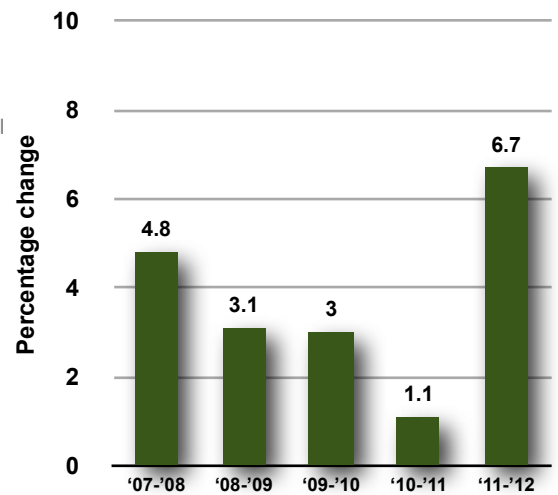


PHOTO: SIDART RESTAURANT, AUCKLAND

TOTAL INDUSTRY SALES: NATIONAL



SALES GROWTH: NATIONAL



SOURCE: Statistics New Zealand

With the world still affected by the global financial crisis, global economic activity is expected to remain subdued over the coming year. However there have been some encouraging signs on a local level, with industry sales in 2012 reaching \$6.9 billion and overall the industry's outlook is optimistic.

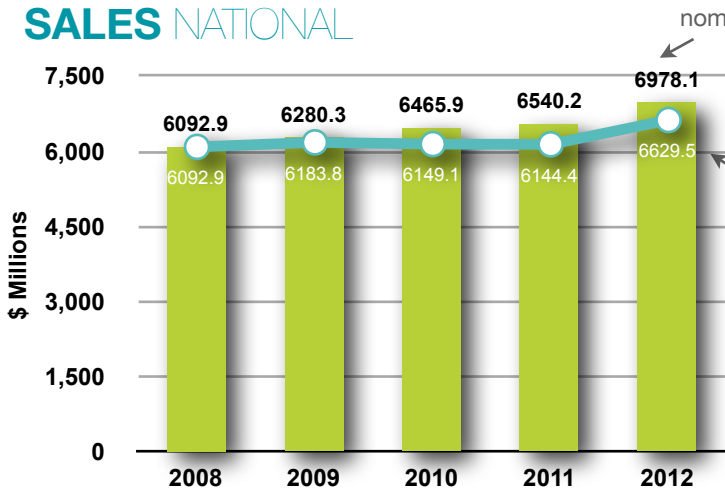
The hospitality industry recorded a positive 6.7% growth in national sales in 2012 over the year previous (an improvement on the 1.1% growth from 2010 - 2011). A breakdown of the industry by sector indicated all showed sales growth in 2012, apart from the clubs sector which appears to be in decline. The restaurant and cafe sector, which accounts for 50% of the industry's sales, enjoyed a 5.6% increase in 2012. Takeaways reported a 9.1% increase to reach almost \$1.5 billion. Catering services also recorded a 9.2% increase in sales while pubs, taverns and bars increased by 8.5%

Sales revenue for the industry also reached record levels in 2012. Per outlet sales revenue reached \$479,627 in 2012, a 6.3% increase over the year previous. Sales per employee in 2012 reached \$67,428, a 16 per cent increase in productivity over 5 years (2008 - 2012).

SALES GROWTH

SALES GROWTH

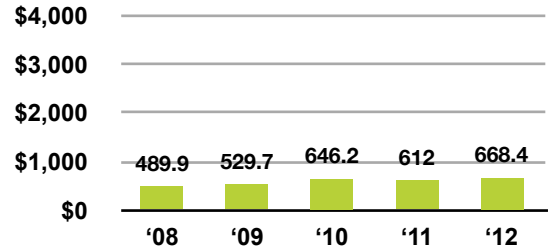
SALES NATIONAL



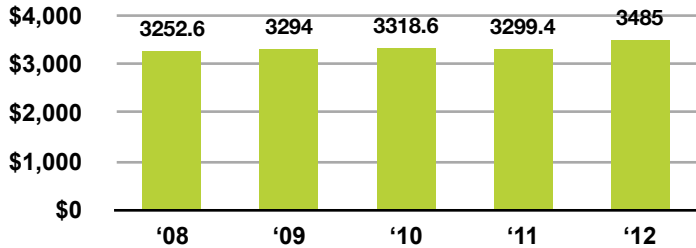
SALES PER TYPE OF BUSINESS

Real Growth (Blue line) Nominal Growth (Green bars)

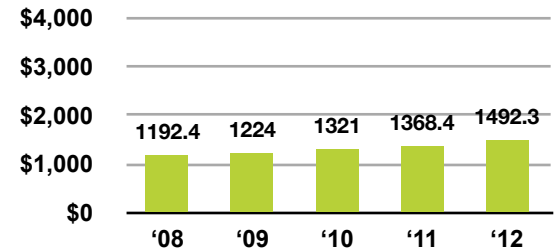
CATERING SERVICES



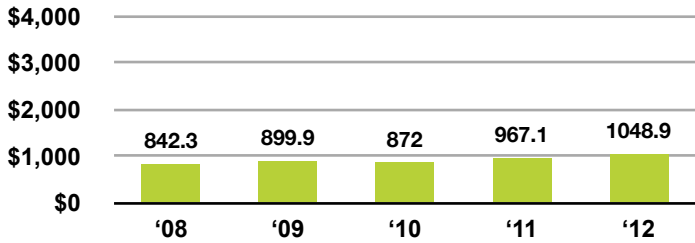
RESTAURANTS & CAFES



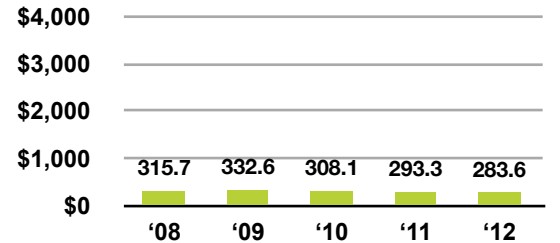
TAKEAWAYS FOODSERVICE



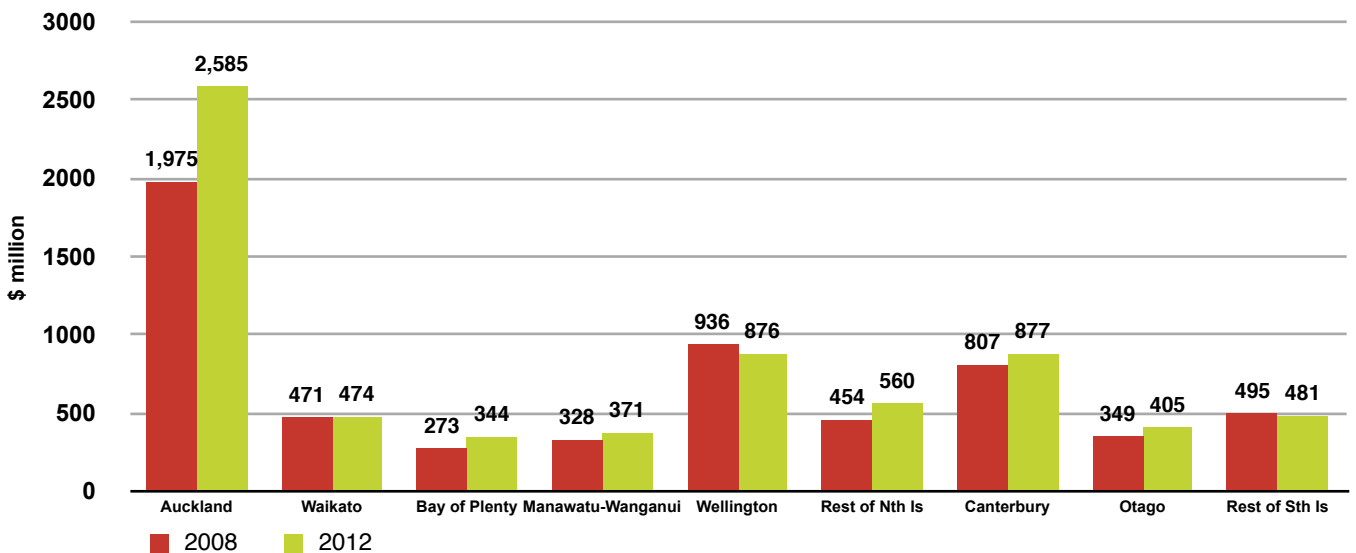
PUBS, TAVERNS & BARS



CLUBS (HOSPITALITY)



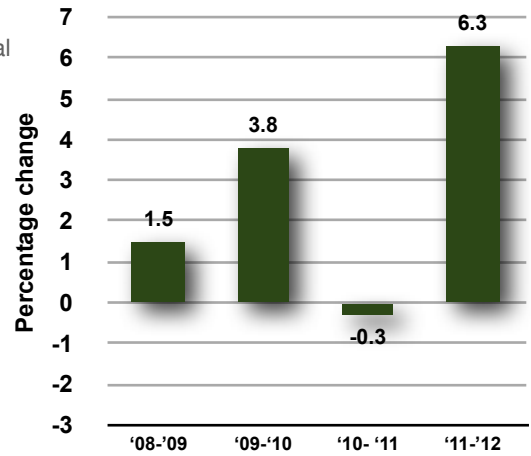
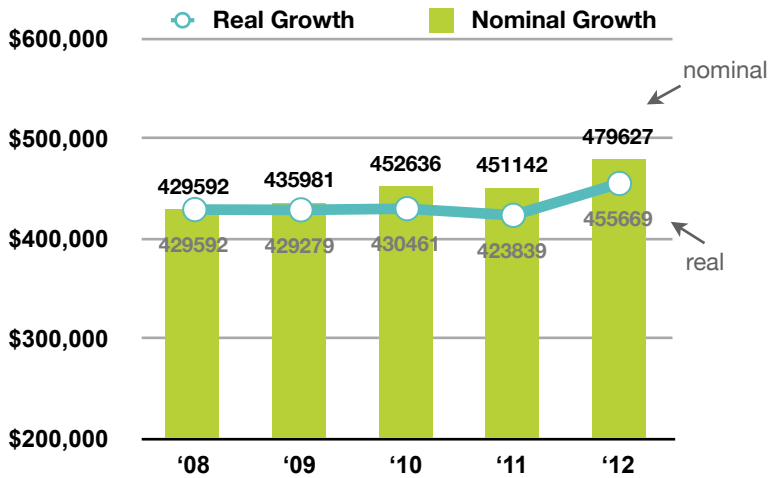
TOTAL INDUSTRY SALES: REGIONAL



SALES REVENUE

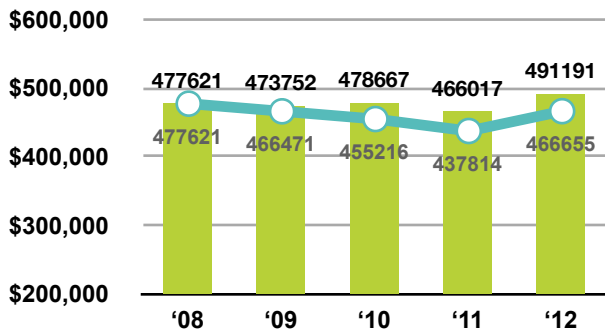
National PER OUTLET average sales

SALES GROWTH

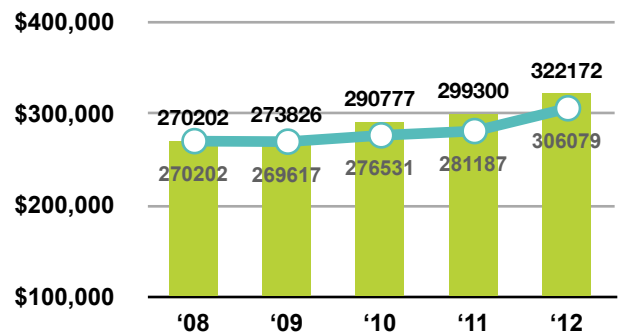


Source: Statistics New Zealand

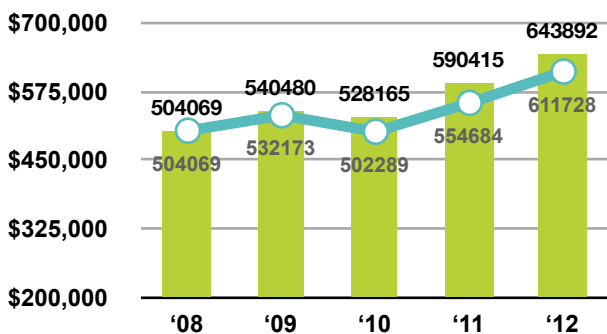
RESTAURANTS & CAFES



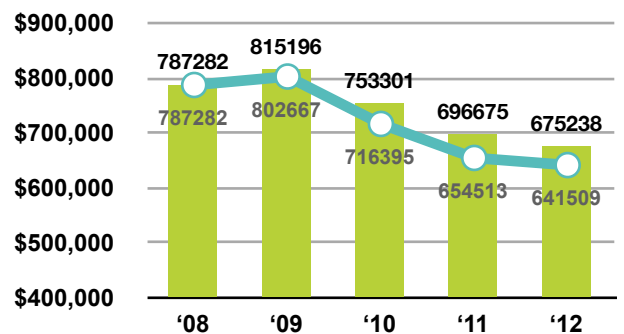
TAKEAWAYS FOOD SERVICE



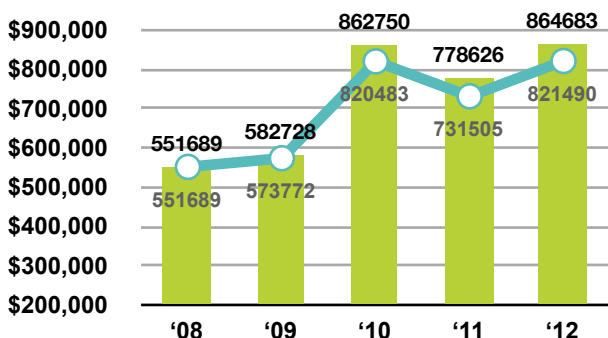
PUBS, TAVERNS & BARS



CLUBS (HOSPITALITY)



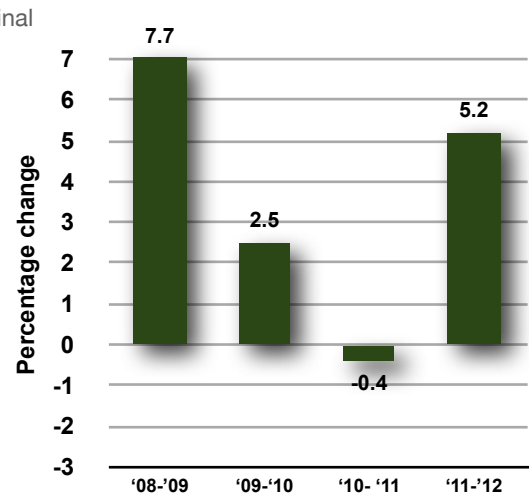
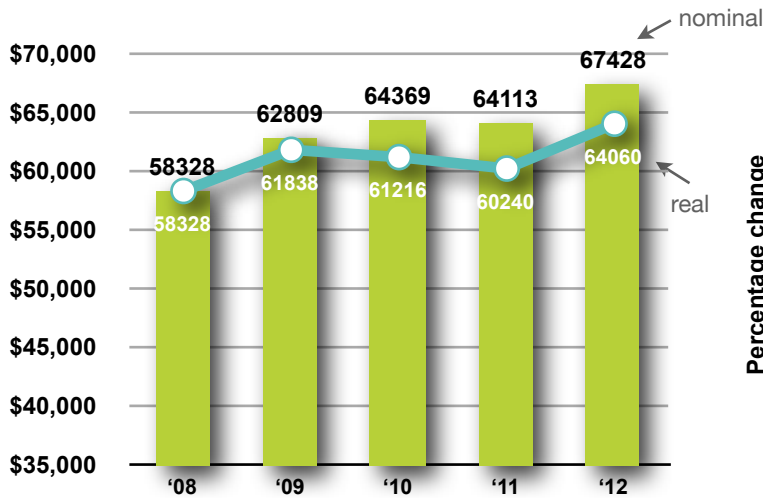
CATERING SERVICES



SALES REVENUE

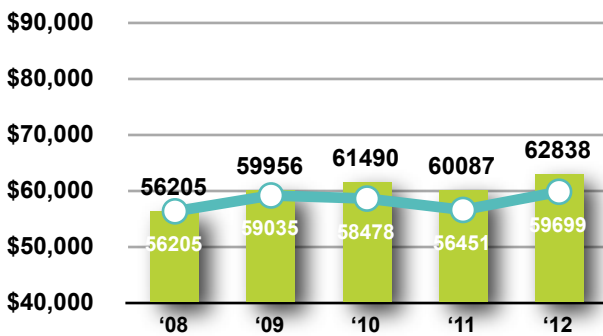
National PER EMPLOYEE average sales

SALES GROWTH

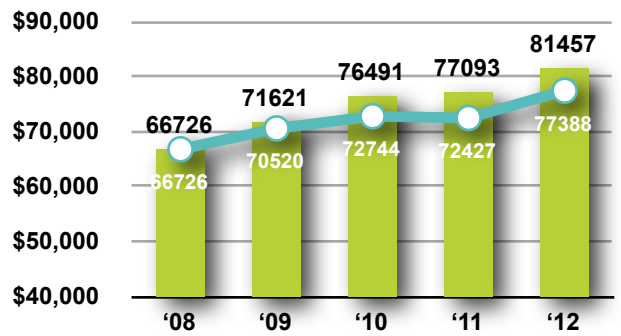


Source: Statistics New Zealand

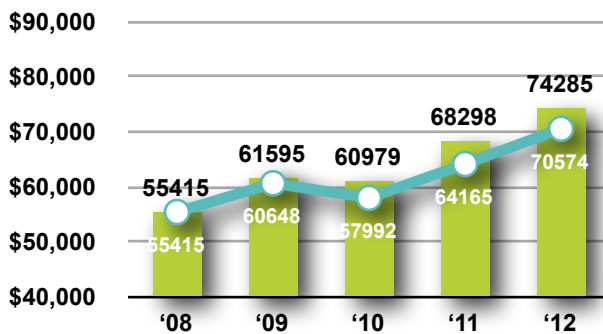
RESTAURANTS & CAFES



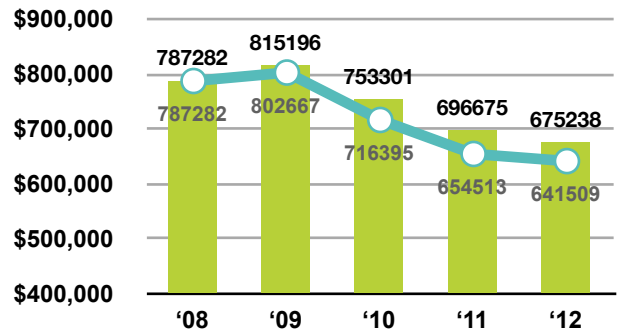
TAKEAWAYS FOOD SERVICE



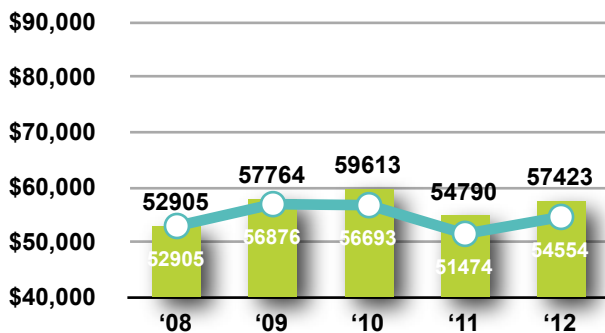
PUBS, TAVERNS & BARS



CLUBS (HOSPITALITY)



CATERING SERVICES



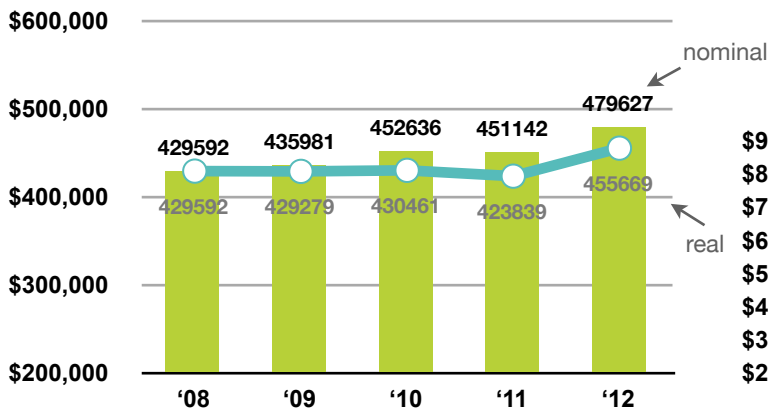


OUTLET
ANALYSIS

SALES PER OUTLET

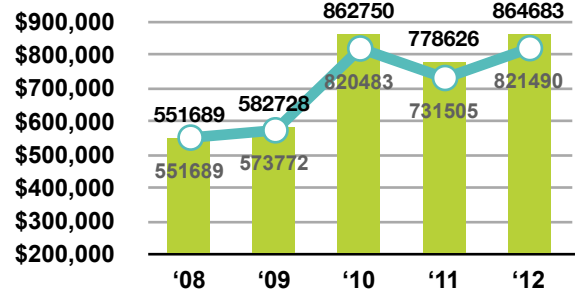
National per outlet average sales

SALES GROWTH

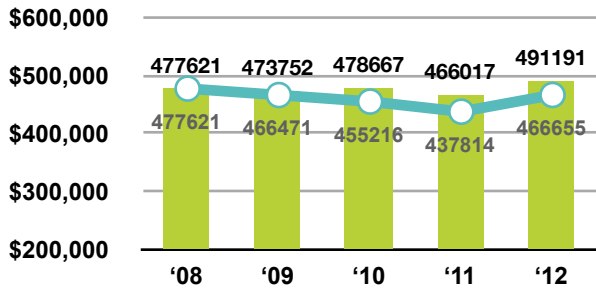


Real Growth Nominal Growth

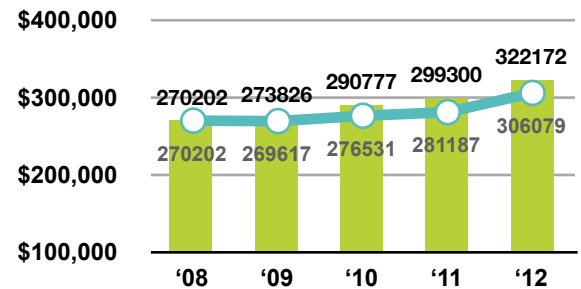
CATERING SERVICES



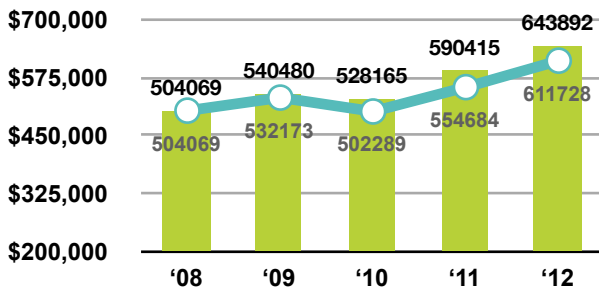
RESTAURANTS & CAFES



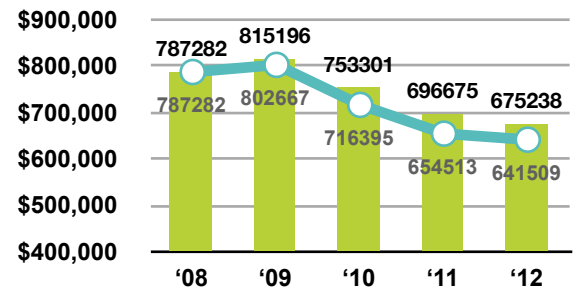
TAKEAWAYS FOOD SERVICE



PUBS, TAVERNS & BARS



CLUBS (HOSPITALITY)



After achieving a minimal 1.1% increase in national sales in the 2010 - 2011 period, the hospitality industry recorded a more positive 6.7% growth in sales in 2012 over the year previous. Sales in 2012 reached \$6.9 billion.

A breakdown of the industry indicates almost all sectors showed sales growth in 2012.

The restaurant and cafe sector, which accounts for 50% of industry's sales, enjoyed a 5.6% increase in 2012.

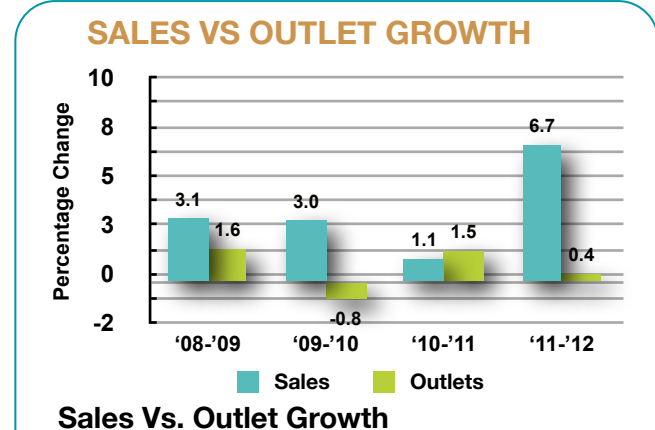
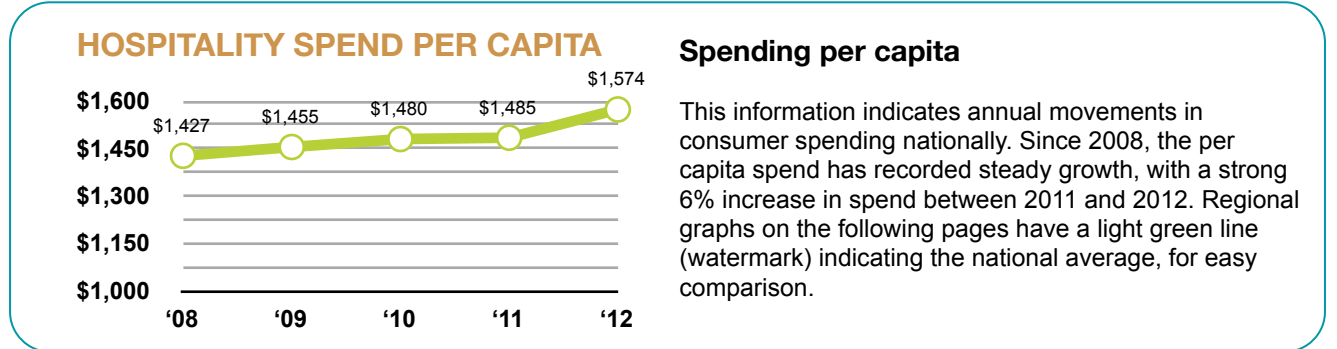
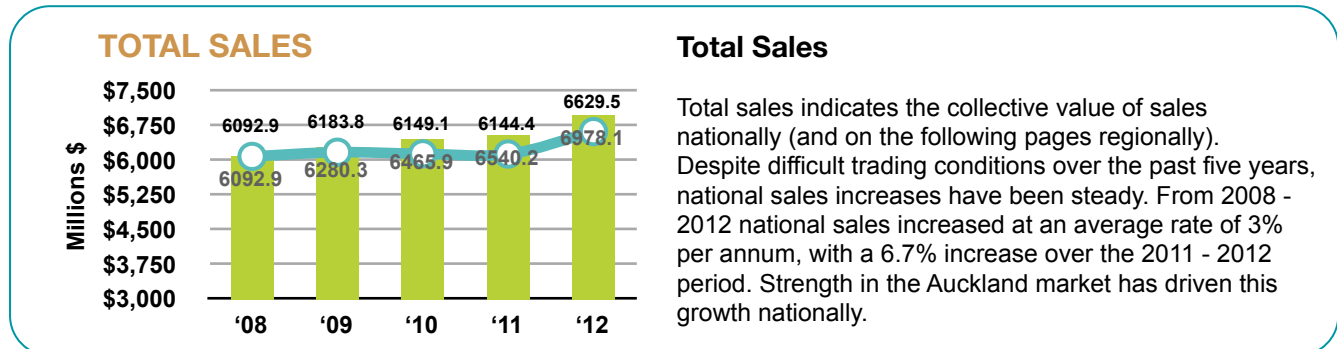
Takeaways reported a 9.1% increase to reach almost \$1.5 billion. Catering services also recorded a 9.2% increase in sales while Pubs, taverns and bars increased by 8.5%. The only sector to report a decrease was the clubs sector - indicating a -3.3% drop in annual revenue. This sector is in decline, with annual sales having dropped by almost -15% over the past 4 years.

Sales revenue per outlet reached \$479,627 in 2012, a 6.3% increase over the year previous.

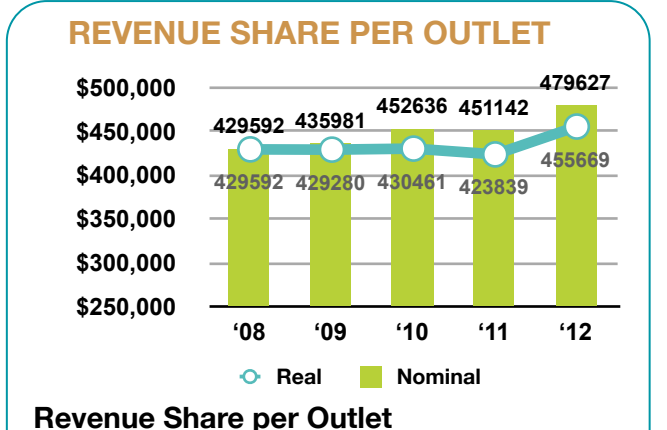
The dominant sector, Restaurant & Cafes, recorded a 5.4% increase in revenue share per outlet. However, with over 7,000 businesses in this sector the revenue per outlet, at \$491,191, is far lower than Pubs, Taverns and Bars, which \$643,892 in 2012. An 8.5% increase in sales and a decrease in the number of outlets enabled this sector to record a 9% increase in sales per outlet. Catering services also reached a record \$864,683, an 11% increase over the year previous. With annual sales of \$668 million, the sales revenue for this sector is spread amongst only 773 businesses.

SALES GROWTH & PER CAPITA SPENDING

This section considers some of the key indicators impacting on the overall growth of the industry ~ total sales, per capita spending, sales growth vs outlet growth and revenue share per outlet. Overall, the hospitality industry has weathered some difficult trading conditions over the past few years well. Nationally, there are sound levels of growth in both total hospitality sales and per capita spending. Industry sales are now close to \$7 billion per annum. The 6.7% increase in sales in 2012 is a pleasing return to the strong annual sales growth that the industry experienced in the first half of this decade. This rise is matched by an increasing per capita expenditure - a 6% increase between 2011 and 2012. Between 2008 and 2012 an average increase of 2% annually per head of population was realised, with expenditure growing 10% over that period (from \$1,427 in 2008 to \$1,574 in 2012). Growth over the last year appears to be driven mostly by Auckland which had a 10% increase in per capita spending.

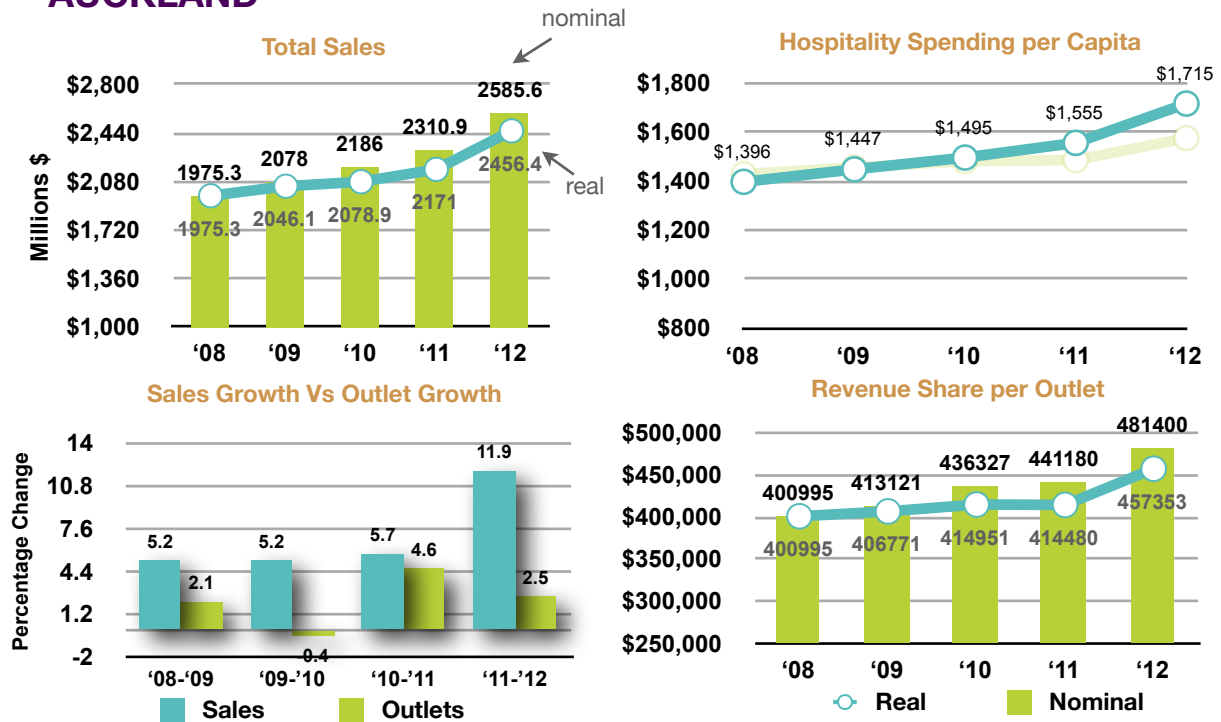


As national outlet growth over the past five years has been at a much slower rate than sales growth, each established outlet (on average) has seen an increase in total sales. In particular, the sales growth in 2012 of 6.7% was matched with a minimal outlet growth of 0.4% nationally. This resulted in a 6.3% increase in revenue share per outlet as indicated in the graph shown right.



The graph above indicates the share of total sales for each hospitality business, on average, across the different sectors of the industry. Between 2008 and 2012 there was a nominal increase in per outlet revenue share of 12%, translating to a real increase of 6% after inflation. This change was underpinned by reduced staff numbers and slower outlet growth, both of which are generalised responses to the current economic pressures. The values listed below the blue line (in grey) indicate the real growth over the five year period.

AUCKLAND



ABOVE: Sales in the Auckland region increased a significant 11.9% between 2011 and 2012 to reach more than \$2.5 billion. Despite another 133 businesses opening in the region, a 10% increase in spend per capita resulted in the revenue share per outlet jumping to an all-time high of \$481,400.

2008 and 2012, Auckland's share of the industry's sales grew by over 5%.

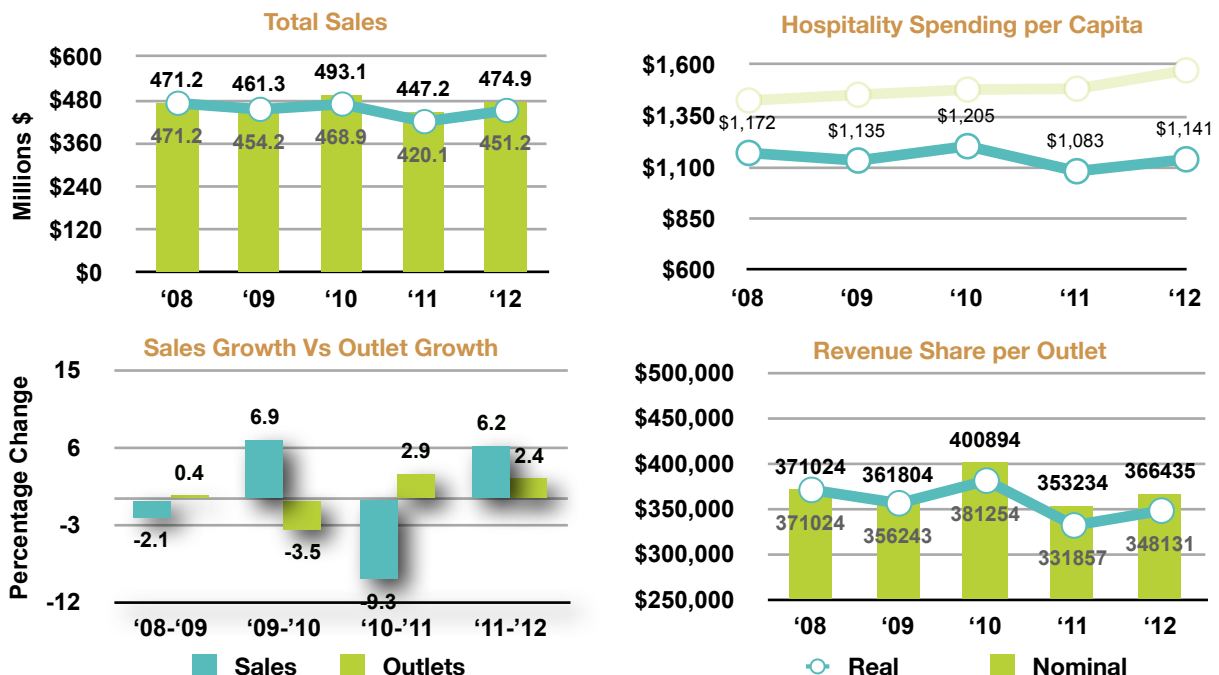
The region has reported consistently strong annual sales increases over the five years, posting increases of over 5% on average. This comes at a time when many regions have had some inconsistency in sales.

BELOW: A sales increase of 6.2% for the Waikato region enabled the region to reach \$475 million in sales in 2012. This increase indicated some recovery for the Waikato region after a disastrous 2011 when annual sales dropped by 9.3% and the hospitality spend per capita also decreased by 10%. In 2012, the hospitality spend increased 5.4% to reach \$1,141, close to the high in 2010 of \$1,205.

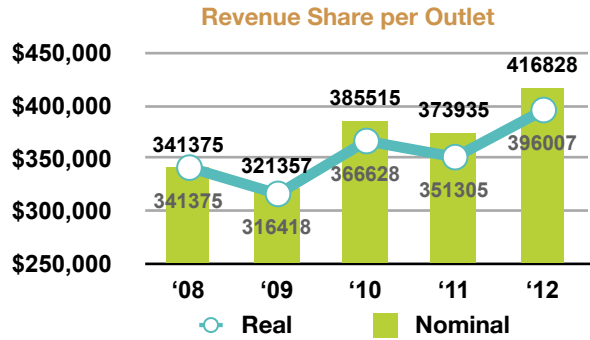
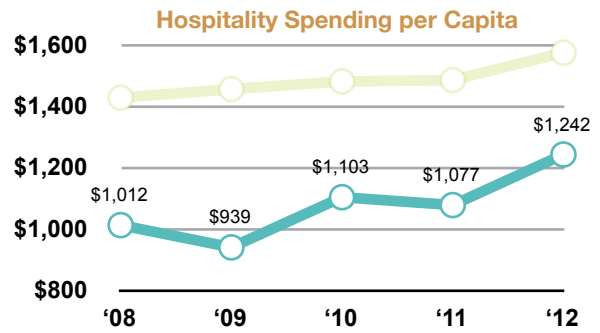
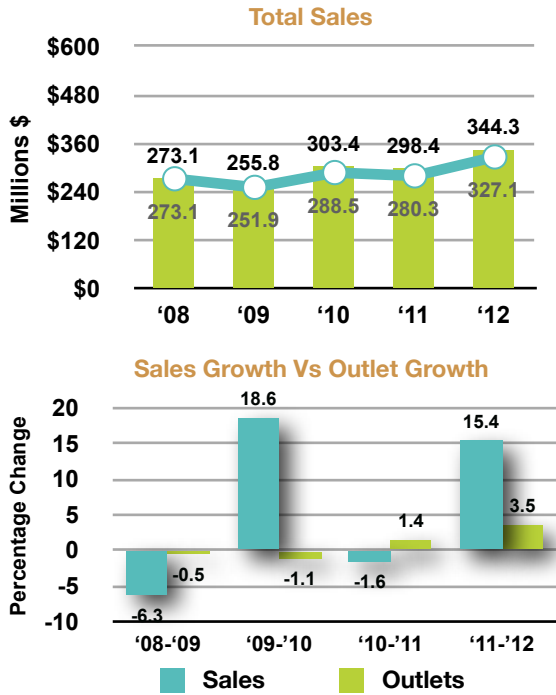
The region is dominant – it employs over a third of the industry's employees and has 37% of the country's hospitality businesses, as well as 37% market share. This market share has been creeping up over time. Between

The reduction in annual sales in 2011 also impacted on the revenue shares per outlet negatively, with a 11.9% drop to a 5 year low of \$353,234. 2012 has seen a rise of revenue share per outlet of 2.5% to \$366,435.

WAIKATO



BAY OF PLENTY



ABOVE: The Bay of Plenty region has experienced some highs and lows over the last five years. After reporting an 18.6% increase in sales in 2010, the following year saw sales stall with the region experiencing a -1.6% decrease year on year. The per capita spend at this time dropped by -2.4% to \$1077 - one of the lowest in New Zealand. In 2012 however the per capita spend increased to \$1,242 and sales growth rose by 15.4% - the largest rise in New Zealand.

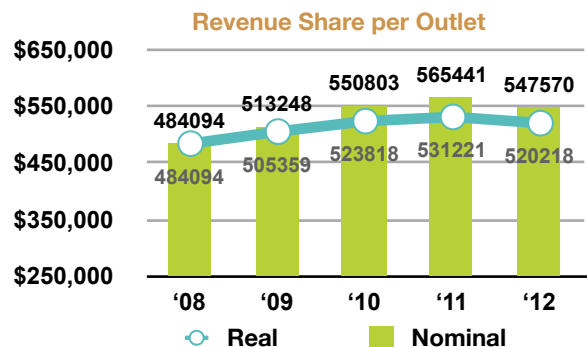
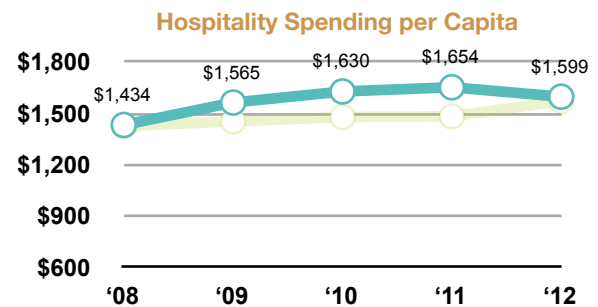
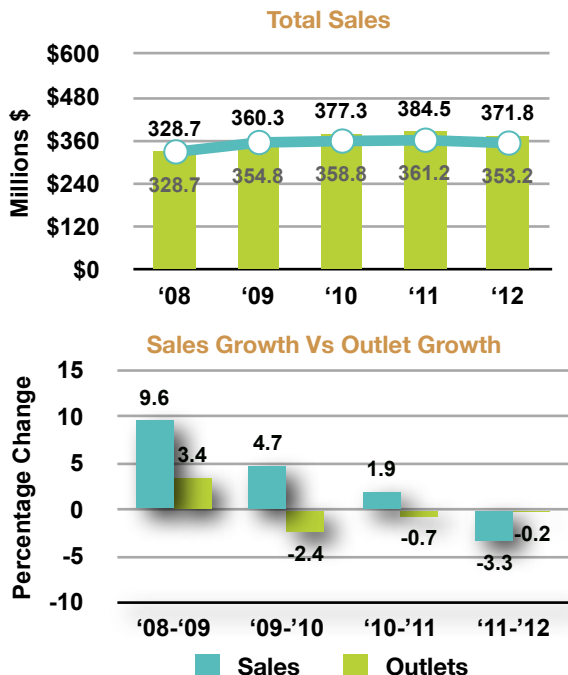
BELOW: Over the past five years the Manawatu/Wanganui region has undergone steady growth in sales, as well as sales revenue per outlet. However, in 2012 sales dropped by 3.3% to \$371.8 million and revenue per outlet dropped also by 3.2% to \$547,570.

The number of hospitality businesses in this region over the past five years has remained relatively static, increasing by just 26 businesses over these years. The limited outlet growth, combined with a large increase in sales last year, enabled the revenue share per outlet to soar to \$416,828 - a 13% increase over 2011.

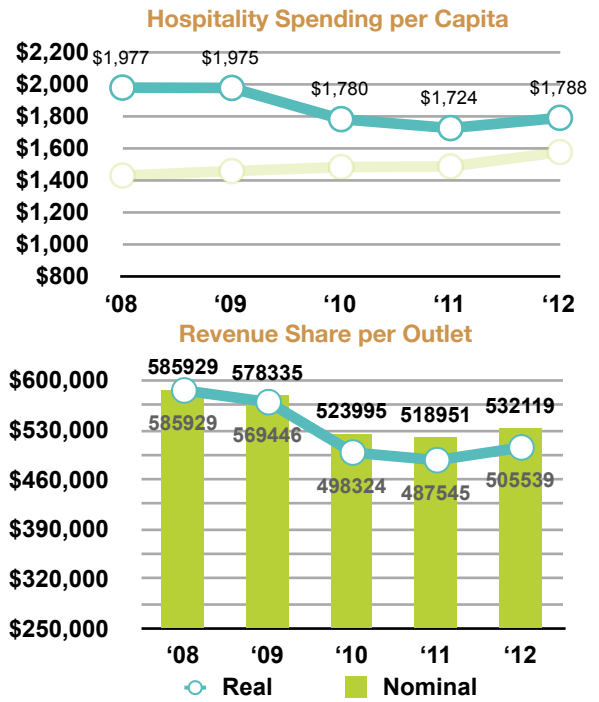
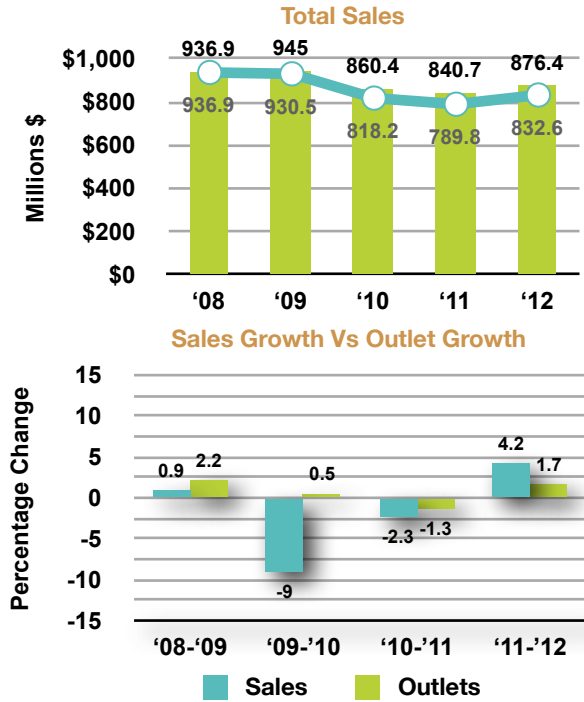
The average revenue share for an outlet is, however, one of the highest in the country and 14.2% higher than the average sales revenue per outlet at national level.

There has also been a positive increase in consumer spend in this region, although this was again affected in 2012. In 2012 hospitality spend per capita was \$1,599 - a decrease of 3.3% from the previous year but still slightly above the national average per capita spend of \$1,574.

MANAWATU/WANGANUI



WELLINGTON



ABOVE: After recording steady increases year on year throughout most of the early 2000's, hospitality businesses in the Wellington region have struggled over the past four years. Wellington was the hardest hit region in 2010 when it reported a -9% drop in sales, followed by another -2.3% decline in 2011. In 2012, however, there was a rise in sales of 4.2% to \$876.4 million which translates to a 2.5% rise in sales revenue per outlet to \$532,119.

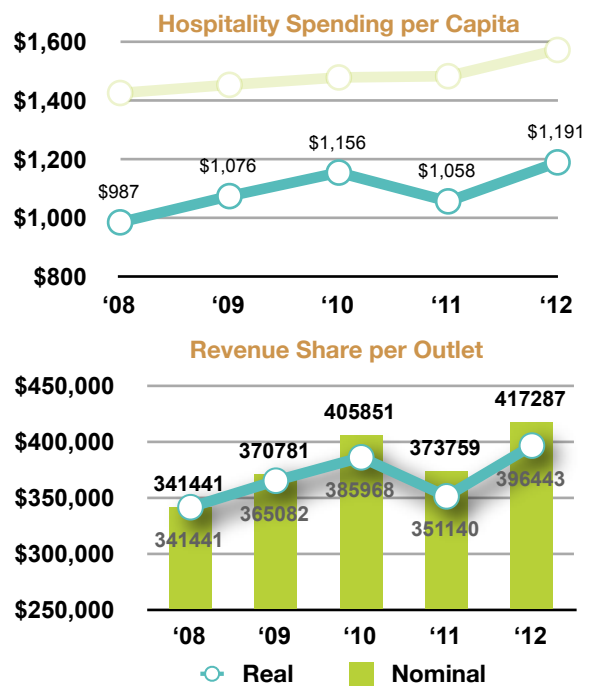
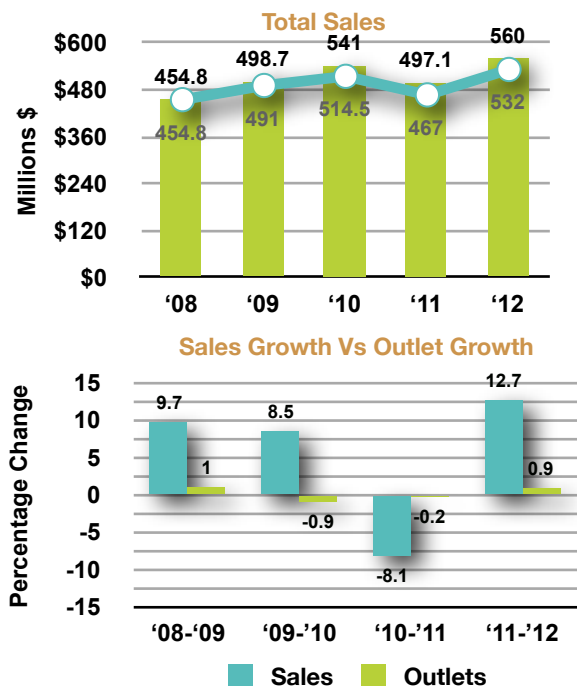
This region's revenue share per outlet is the second highest in the country - 11% above the national average of \$479,627.

BELOW: Hospitality industry sales growth was positive for the rest of the North Island between 2008-2010. However, this region was the hardest hit in 2011, with a drop in nominal sales of 8.1% and a slight decrease in outlet growth. This substantial decline was matched by a slowing in hospitality spending per capita, which up until 2010 had been gradually growing.

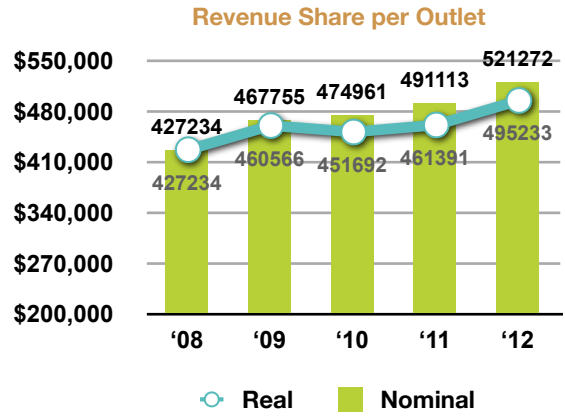
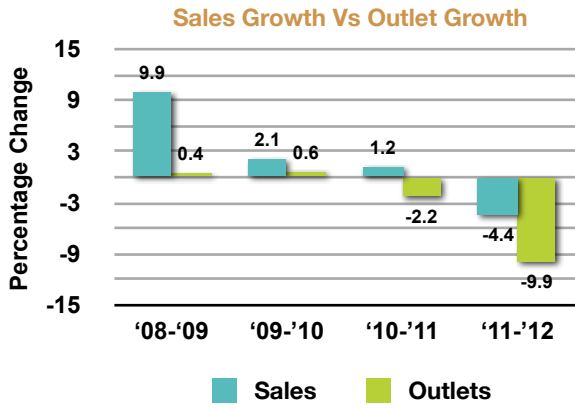
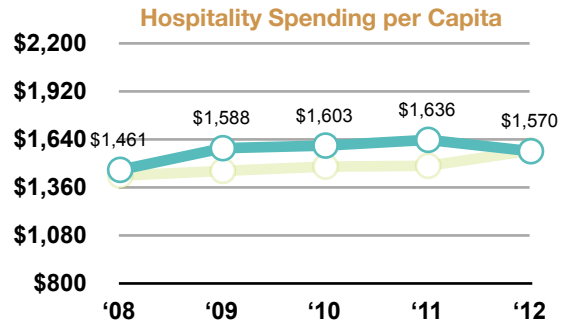
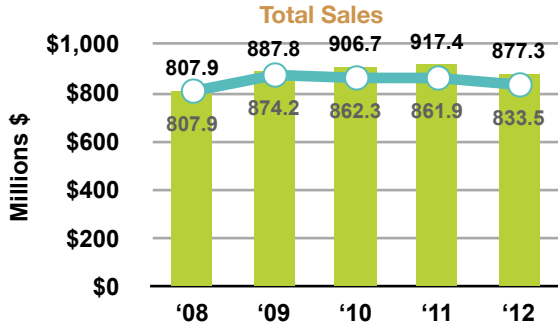
Wellington does have a high average spend per capita, although this has also been in decline in recent years. At \$1,788 this is 13.6% above the national average and is the highest of all regions in the North Island.

The last year has been positive for the region, however, with sales growth at 12.7% and outlet growth at only 0.9%. Although spending per capita has increased in 2012 by 12.6%, at \$1,191 it is well below the national average of \$1,574.

REST OF THE NORTH ISLAND



CANTERBURY



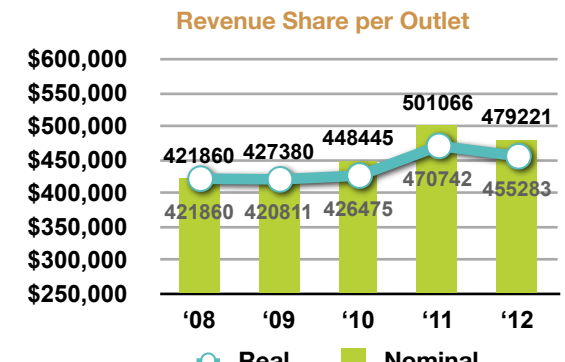
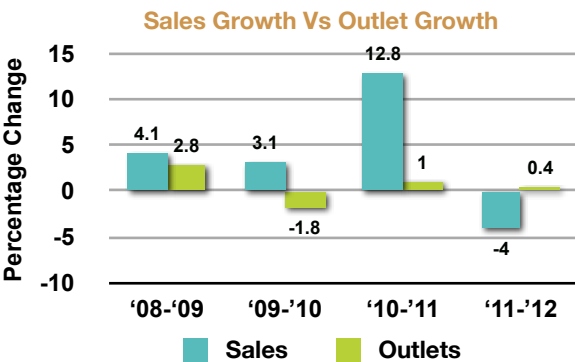
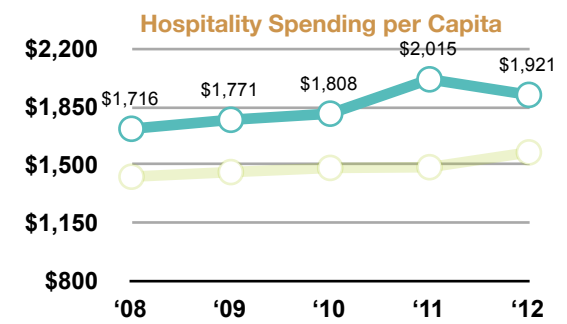
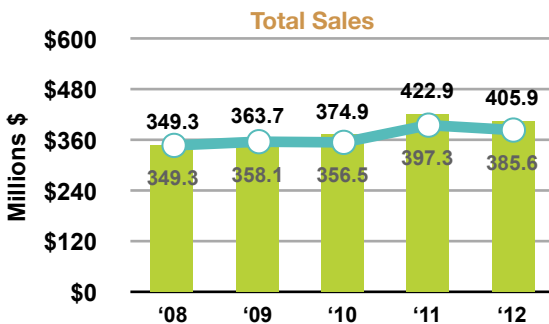
ABOVE: The devastating effect of the Canterbury earthquakes can be seen in the decline in sales and outlets for the region in 2012. The number of businesses decreased by -2.2% in 2011 and again fell, by -9.9%, in 2012. Statistics New Zealand reports an overall decline in the number of hospitality businesses over this one year period of 185.

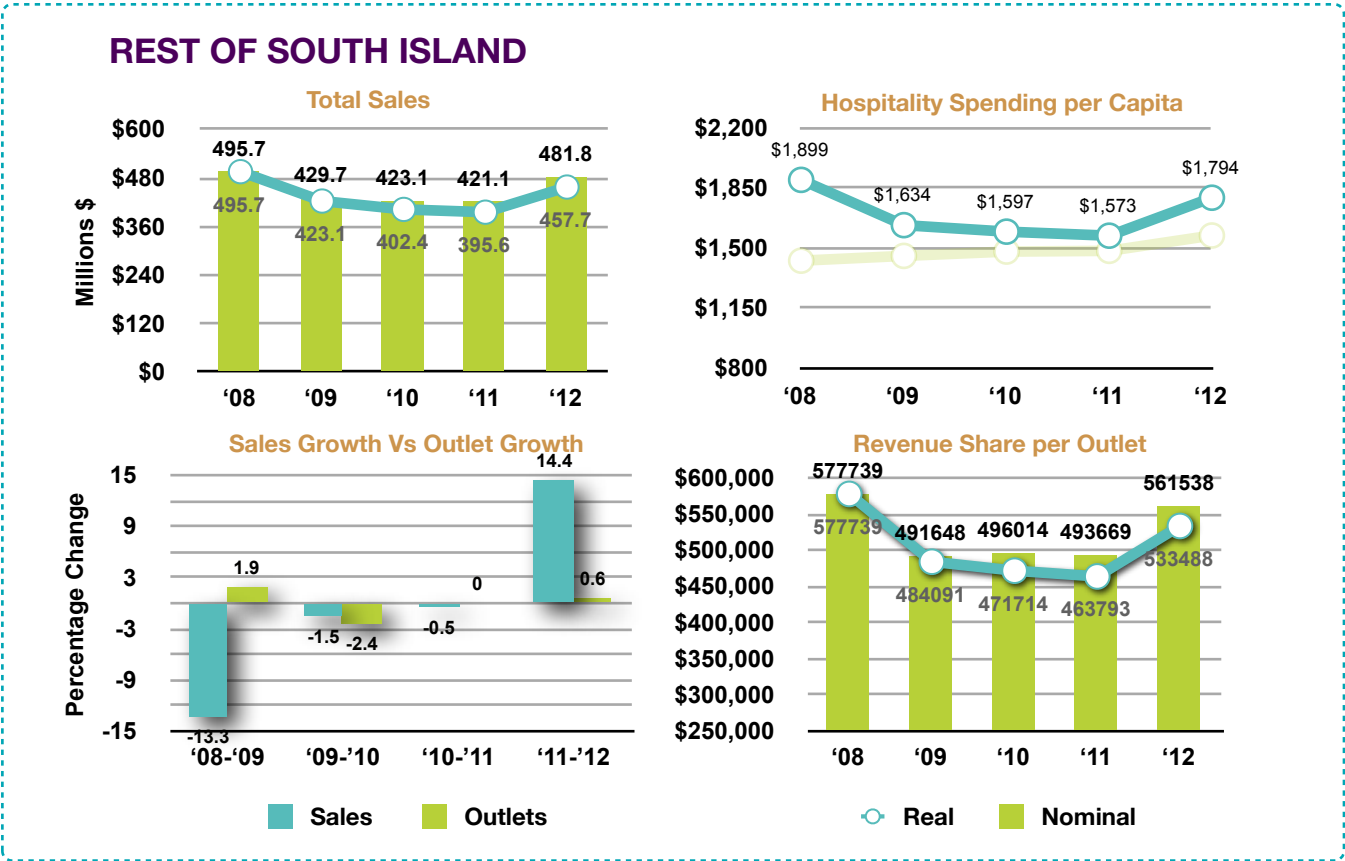
BELOW: The Otago region recorded record growth in 2011 when sales increased by 12.8% to reach \$422.9 million and hospitality spend per capita peaked at \$2,015. In 2012, however, sales have dropped back down to \$405.9 million, a decrease of 4%.

Some may have expected the decline in sales of -4.4% in 2012 to have been greater, however some businesses that were able to remain open have managed to thrive over this time. As a result of the outlet closures, sales revenue per outlet climbed over 6% in 2012 to \$521,272, one of the highest in the country.

Sales revenue per outlet also recorded a decrease of over 4% in 2012, to \$479,221. This is close to the national average of \$479,627. While hospitality spending per capita in the region also dropped over the last year by 4.7%, from \$2,015 to \$1,921, it remains the highest in the country (22% higher than the national rate of \$1,574).

OTAGO





ABOVE: After recording a decline in sales annually since 2008, the rest of the South Island experienced a 14.4% rise in the last year - second only to the Bay of Plenty region (15.3%)

Per capita spending, which had also been declining year on year, has increased in the last year by 14% to \$1,794. Due to this substantial rise, the region now enjoys the second highest per capita spend in the country after the Otago region (\$1,921).

Despite these significant changes, the number of outlets has overall remained unchanged since 2008, which in turn has assisted the revenue share per outlet to reach \$561,538 in 2012.

SUMMARY: Overall, 2012 appears to be a turning point for the hospitality industry after a number of years when sales growth has been minimal. There is anecdotal evidence of a more positive outlook by hospitality business owners for 2013.

The best performing region in terms of real sales growth is the Auckland region. This region continued to report steady increases of over 5% throughout the difficult trading conditions between 2008 and 2011, and saw a significant 11.9% increase in 2012.

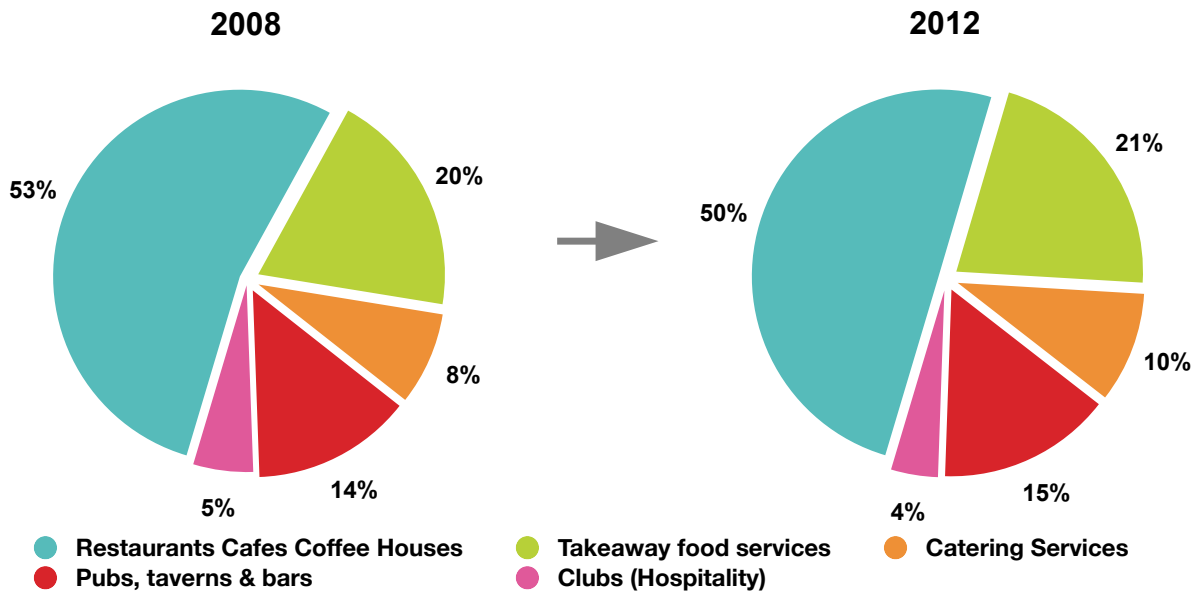
All but three of the regions achieved sales growth in 2012. Of those, Canterbury has been the most devastatingly hit in recent years but in 2013 is beginning to see a recovery with a boom of new hospitality businesses set to open this year.



PHOTO: SIDART RESTAURANT, AUCKLAND

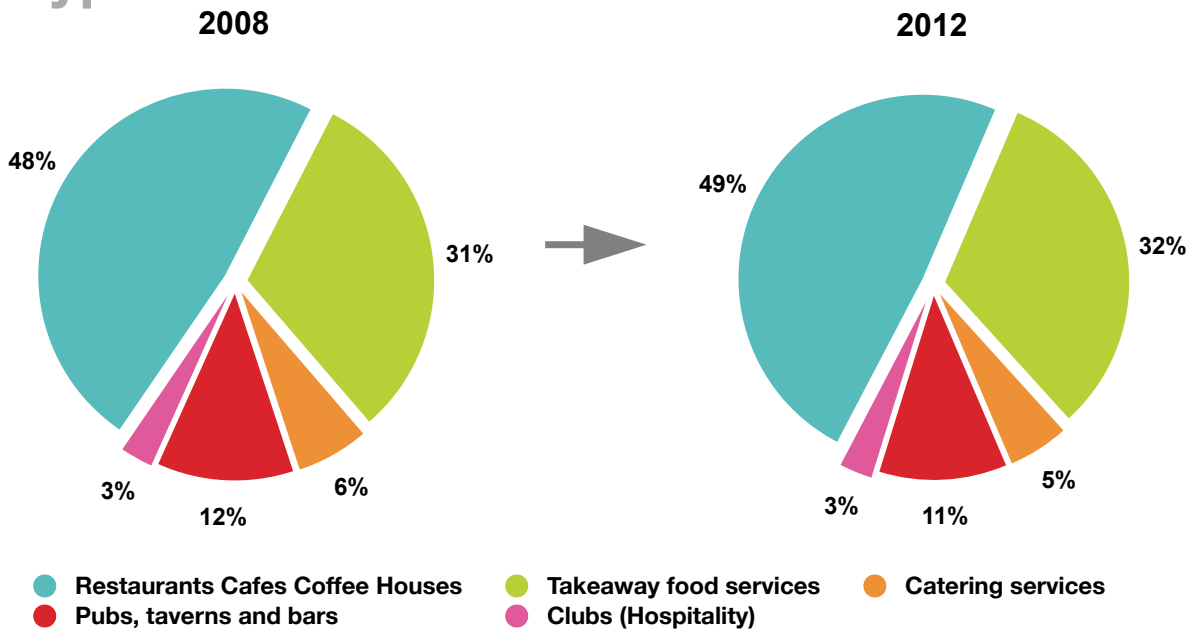
SALES BY TYPE OF OUTLET

Percentage of Revenue Captured



BREAKDOWN OF OUTLET

By Type



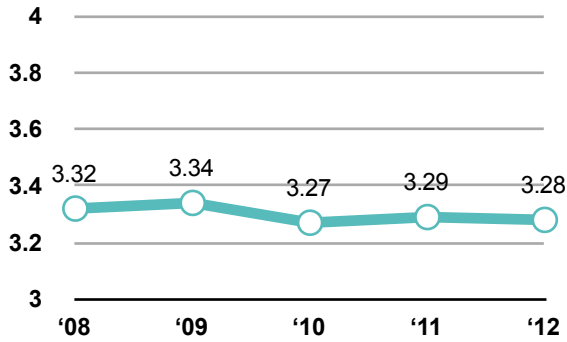
The graphs above (top) show that restaurants and cafes dominate the industry's market share, with half of the sales for the hospitality industry occurring at these types of businesses. However, despite being the dominant player, this sector's market share has recorded a decrease in the 5 year period 2008 - 2012. This sector and the clubs sector both showed a decrease. The other 3 sectors absorbing that 3% loss of the restaurants and cafes sector and 1% loss of clubs sector, relatively evenly.

The number of restaurant and cafe outlets represents just under half of the industry, although this has increased 1% from 2008-2012 (from 48% to 49%), as the bottom two graphs illustrate. This means that while the sector has seen a decrease in its share of the consumer spend over this five year period, it has also *increased* the number of outlets - more establishments fighting for a diminished portion of the consumer dollar.

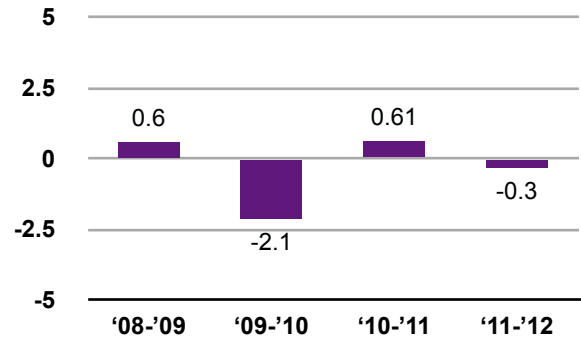
In contrast, catering services realised a 2% increase in their sales market share, while they experienced a 1% decrease in the number of outlets - less catering businesses benefitting from an increase in the share of the consumer dollar.

COMPETITION DENSITY

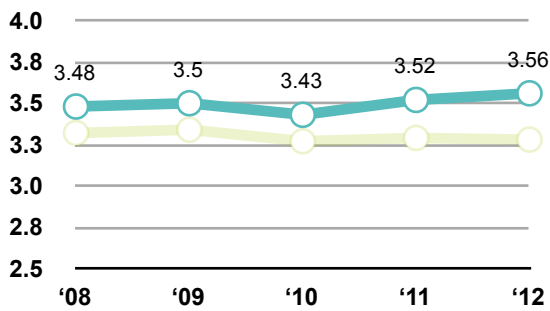
Outlets Per 1,000 Citizens Nationally



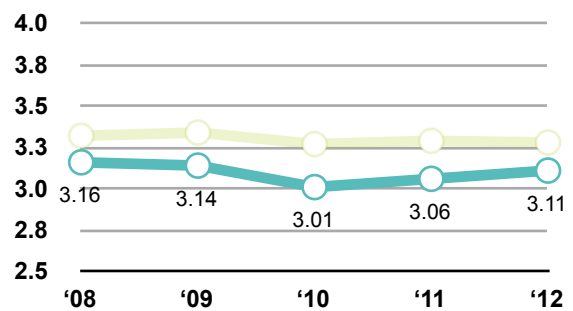
Annual Growth - Outlets Per 1,000 Citizens Nationally



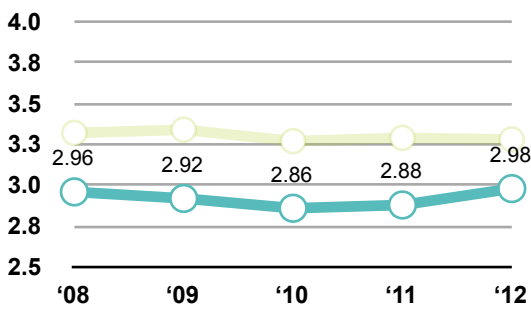
Auckland



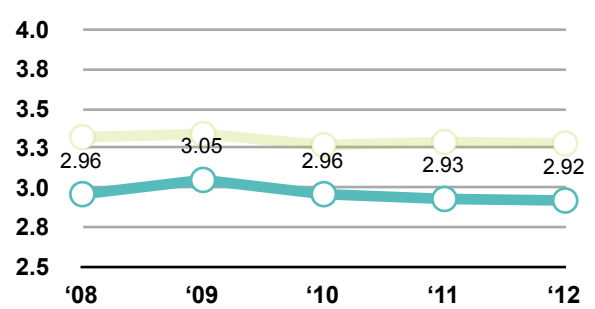
Waikato



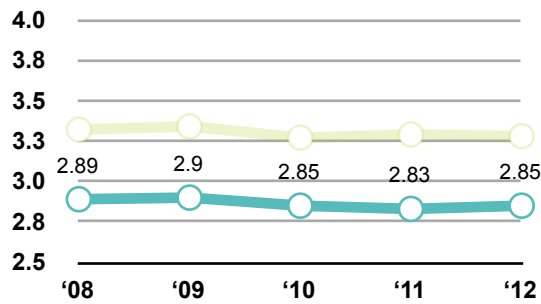
Bay of Plenty



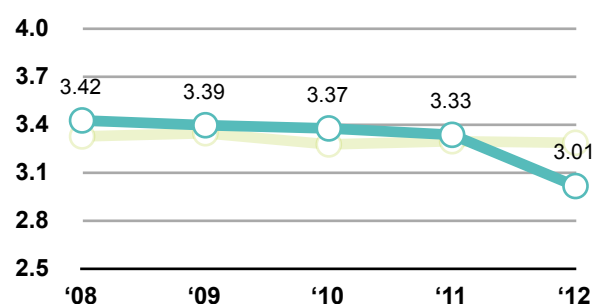
Manawatu/Wanganui



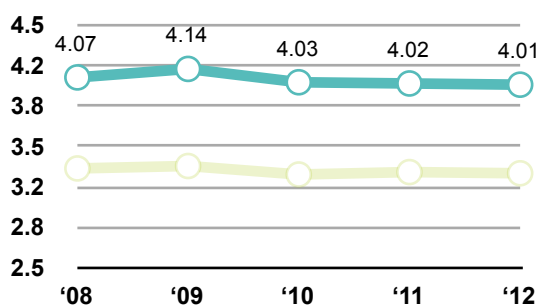
Rest of the North Island



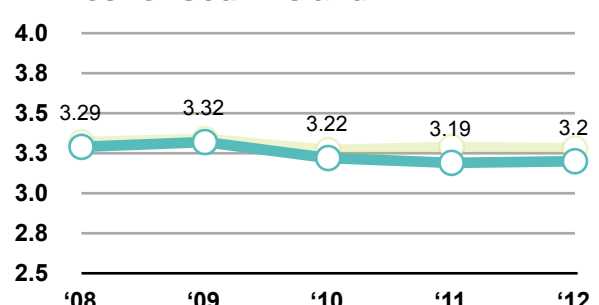
Canterbury



Otago region



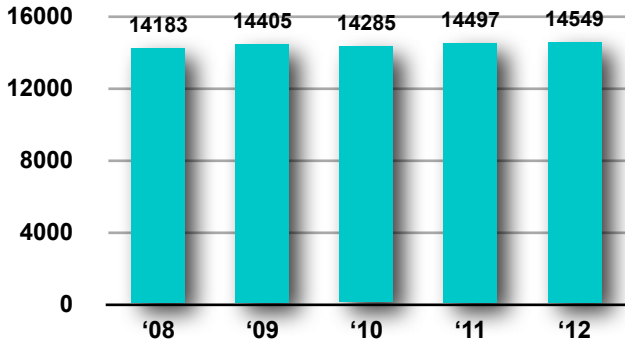
Rest of South Island



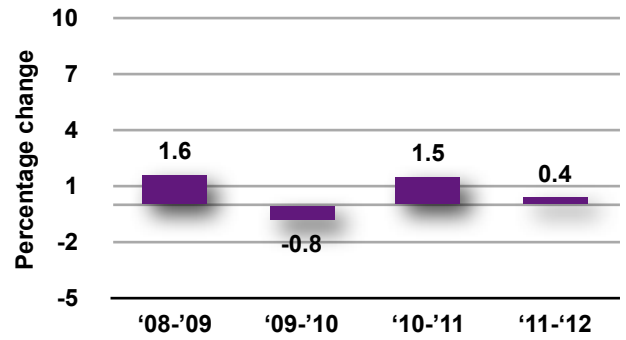
OUTLET GROWTH: BY REGION

SALES GROWTH / OUTLET GROWTH

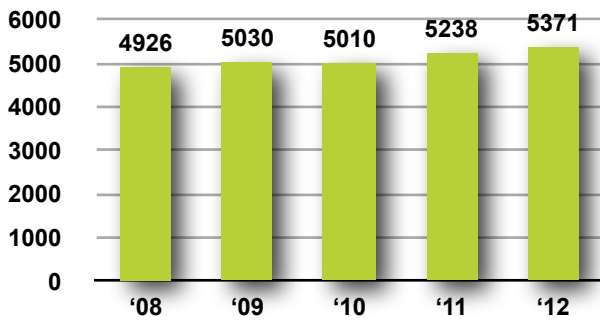
Total No. Hospitality Outlets: National



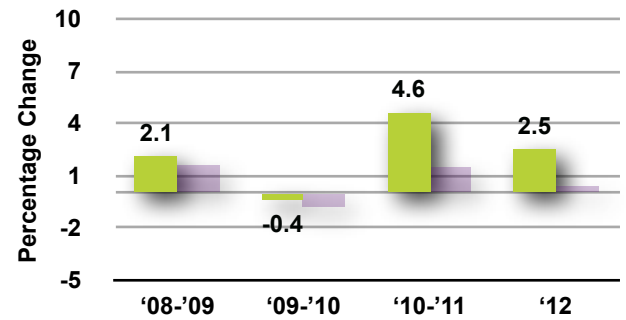
Annual Outlet Growth: National



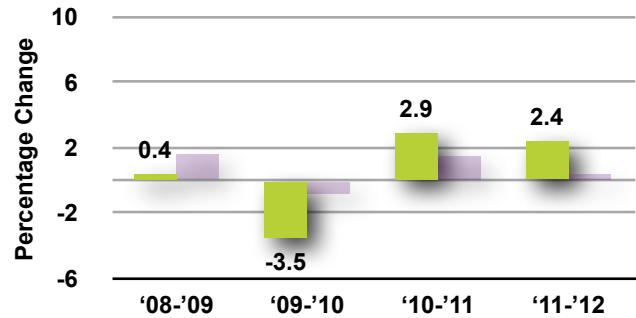
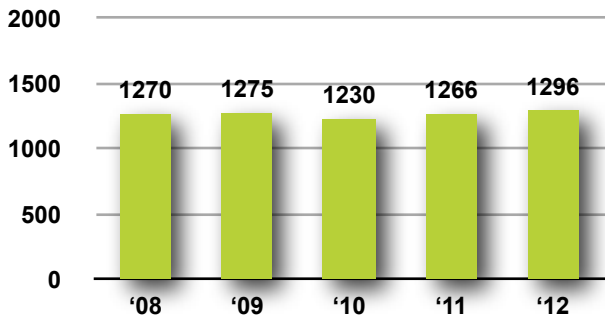
Auckland



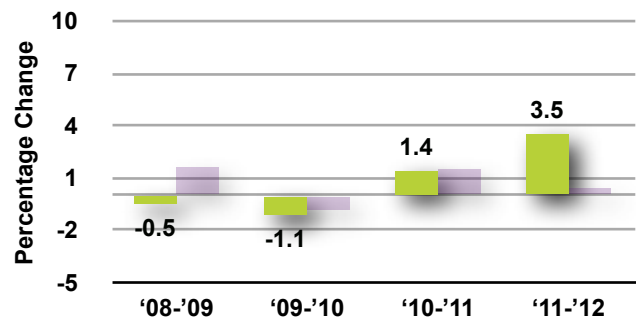
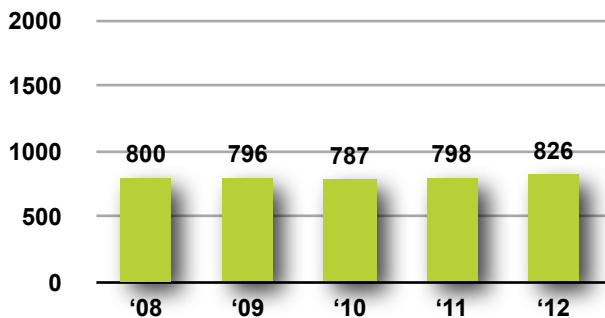
Annual Outlet Growth



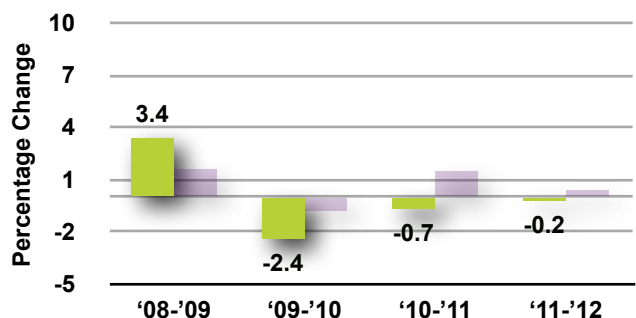
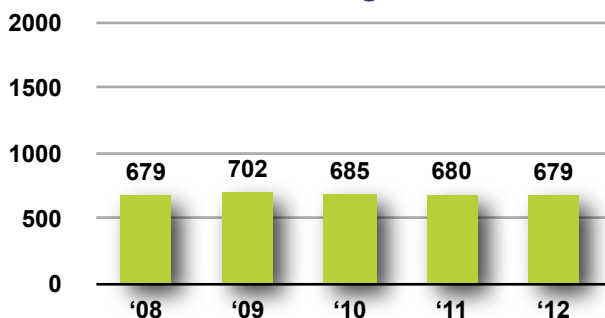
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Bay of Plenty

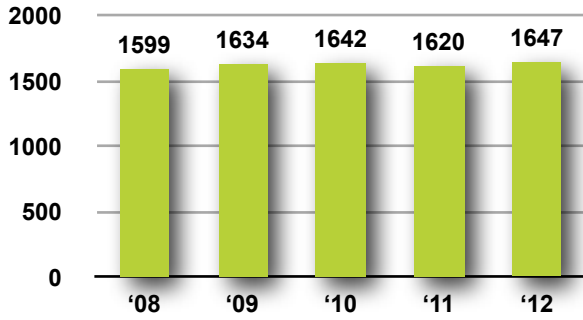


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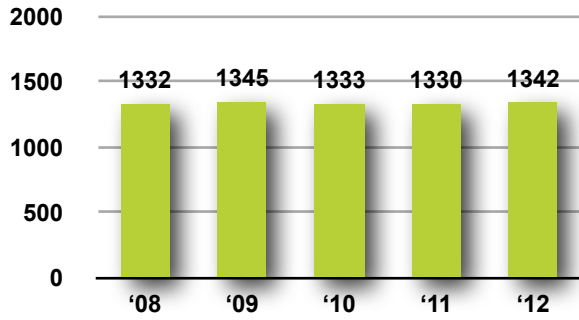


Source: Statistics New Zealand

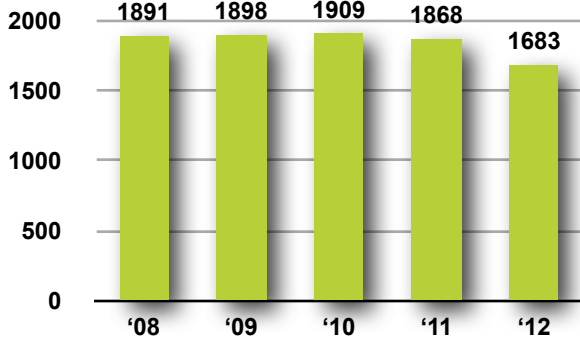
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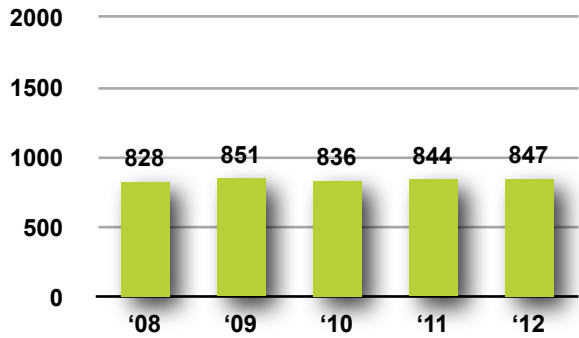
Rest of the North Island



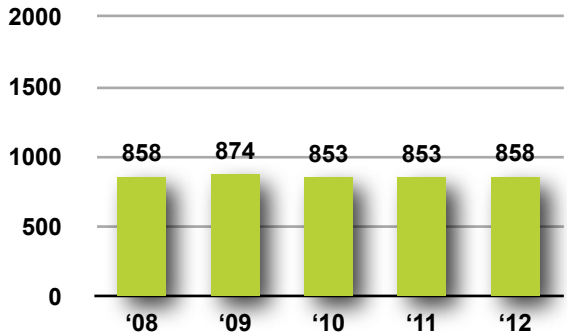
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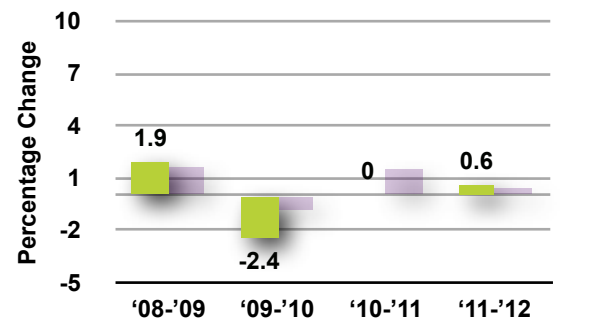
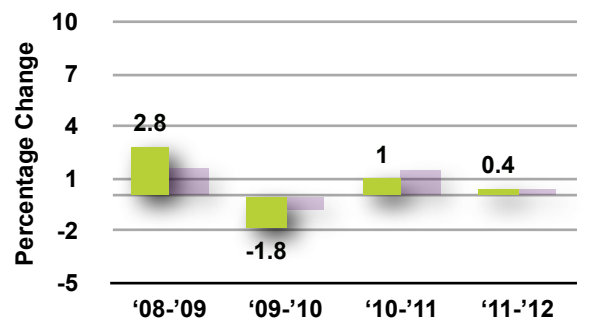
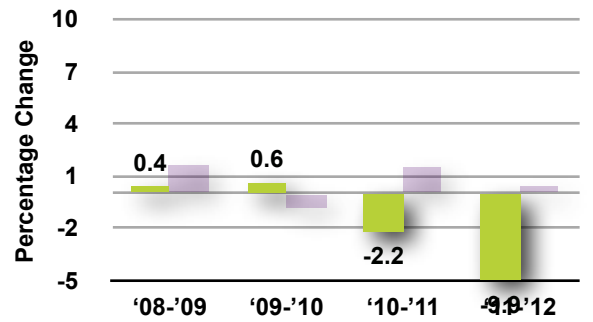
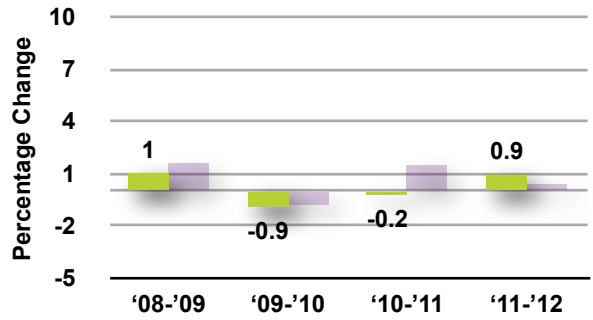
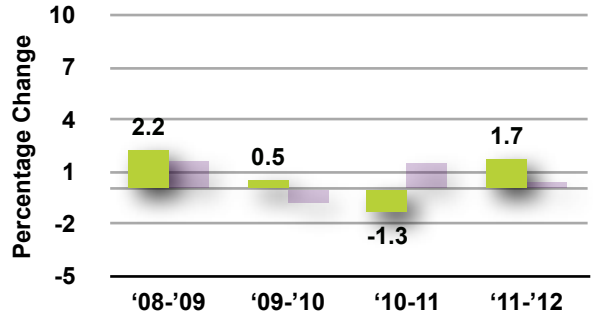
Otago



Rest of the South Island



Annual Outlet Growth



CONCLUSION



PHOTO: VIMAGE, AUCKLAND

Customers are your most important and valuable asset, without them you are 'lost'. This report has revealed that currently they are cautious, dining out less, becoming a bit more frugal and are becoming more aware of price, holiday surcharges and points of quality in both product and service. These characteristics reflect wider socio-economic issues, some global (the economy) some local (natural disaster). The current situation in our industry can be summed up easily... 'it's about more of the same'; in essence we are in flat line mode.

But there is opportunity and this report can help you to find the light, the points of difference that will enable you to change with and ahead of the times. Owners need to be optimistically aware. Currently there are more hospitality outlets seeking income from consumers who are allocating less to dining out. While consumers are spending less they are giving us the cues that can make a difference; customers want engagement, so you need to put into action your lateral thinking skills, embrace social media, check out the 'singletons', get networking, engage your customers in an experience (either personally or virtually) and keep the customers you already have.

Research shows you can save money this way; it costs 5-10 times as much money to find new customers than it takes to keep your existing ones!

Customers are becoming increasingly aware of the environment. They are looking to our industry to lead the way. Therefore now is the time to commit to sustainable practice; a large market segment exists who are keenly aware of environmental issues and are ready to support proactive businesses engaging it.

The bottom line recommendation is to create points of difference that not only take on board these suggestions but also communicate them to your most important asset... your customer; it will build loyalty and business. As Mike Egan keenly reminds us 'customers are not just wallets' so it's logical that we need to maximise their moments of truth and enhance their hospitality experiences.

CONTACT DETAILS



PHOTO: CRAGGY RANGE, HAWKE'S BAY



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